U.S. News & World Report

JANUARY 14, 1955 20 CENTS

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with
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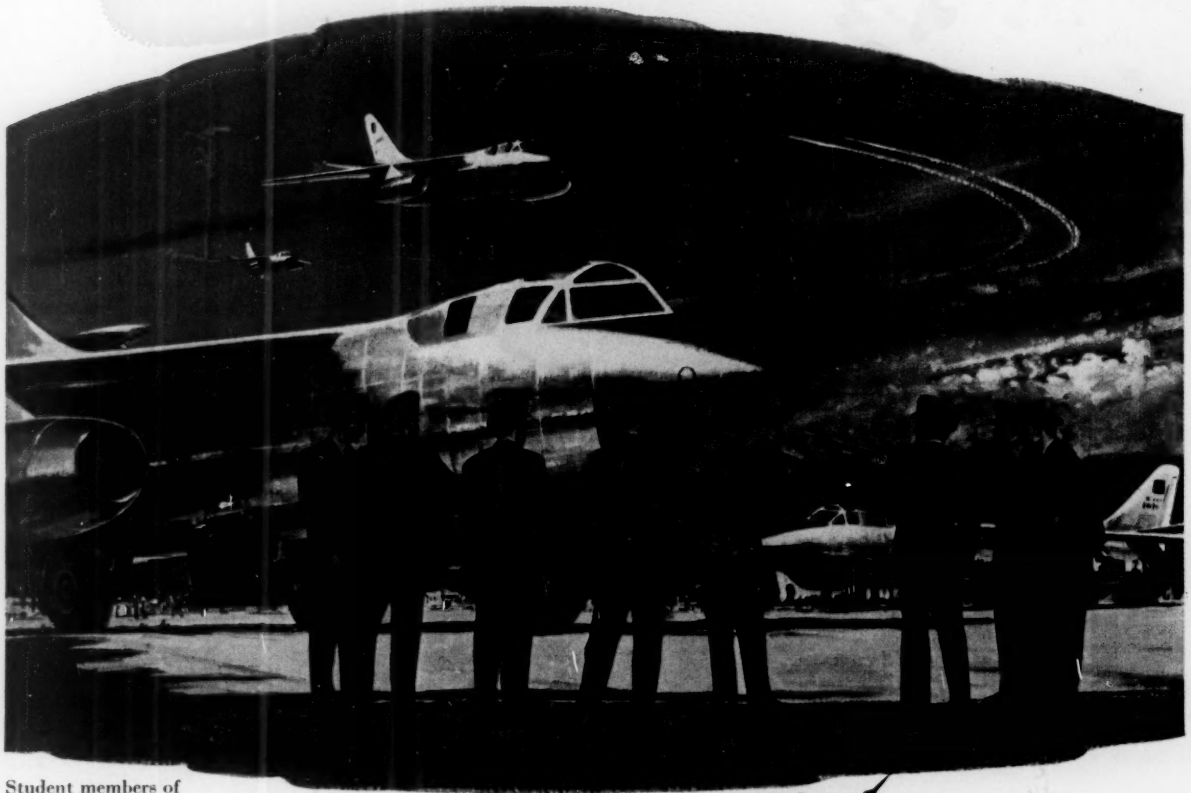

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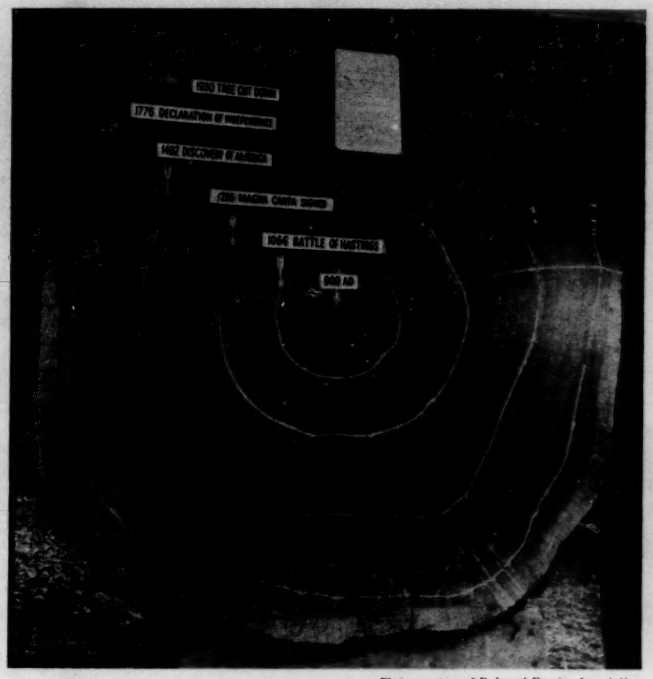

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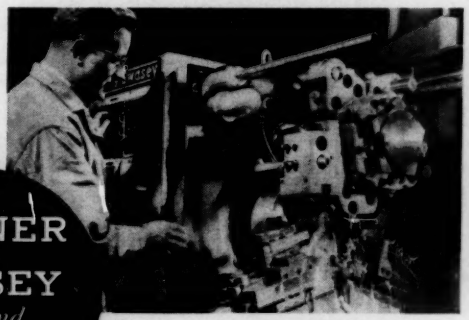

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★ Washington Trends And Your Pay Check

Here's a look at indicated new economic policies of Congress and the Administration. For trends in tax and debt legislation, where Senator Byrd will play a key role, see page 56. And on the outlook for new anti-inflation measures by the Administration, see answers by Secretary of the Treasury Humphrey, starting on page 24.

★ Will Travel Bans Hinder Russian Spying?

Where do the Russians get their most valuable information about the U. S.? This article tells locations of their best sources, pinpoints big loopholes in new travel restrictions. Page 35.

★ How the Pope Sees Prospects for Peace

For complete text of Pope Pius's latest message, analyzing the state of the world today and giving a picture of chances for peace beween East and West, see page 114.

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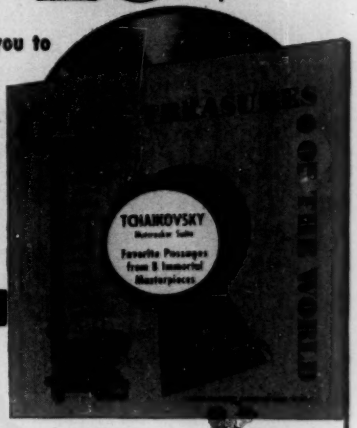

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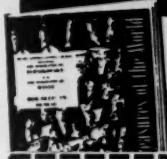

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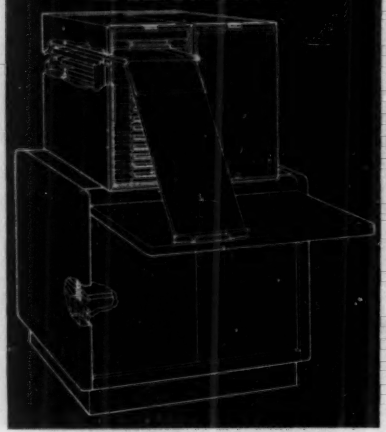

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FRAIL HARMONY

WITH THE TRADITIONAL handshaking and expressions of good will on all sides, the 84th Congress, controlled by Democrats, got under way. Sam Rayburn of Texas replaced Joseph W. Martin, Jr., of Massachusetts, in the Speaker's chair of the House. Lyndon Johnson, also of Texas, took over from William F. Knowland of California as Senate Majority Leader.

How long the effervescent good will would last was anybody's guess. Speaker Rayburn gave one clue. He chided Republicans for calling Democrats soft on Communism.

It was discord, thus hinted, that most believed would keynote the atmosphere of the 84th Congress. In 1956 both parties will be seeking control of the White House. In the events leading up to that battle, harmony seemed unlikely to prevail.

BRICKER AMENDMENT II

SENATOR JOHN W. BRICKER (Rep.), of Ohio, announced he would try again. Back into the Senate hopper as the 84th Congress convened went the controversial Bricker Amendment, limiting the President's treaty-making powers. The Ohio Senator, who battled the Administration right down to the wire last year only to lose by one vote, said he hoped he could reach agreement with the White House this year.

Other Republicans, however, had different views. One pro-Eisenhower Senator said Senator Bricker's move was the first sign that Republican harmony in the 84th would not last long.

STAG LIST

PRESIDENT EISENHOWER held another of his stag dinners at the White House, the guest list this time including mostly lawyers, bankers and politicians. Exception: TV entertainer Arthur Godfrey. Politicians on the list: Chairman Leonard Hall of the Republican National Committee; Presidential Assistant Sherman Adams; Barak T. Mattingly, former Republican National Committeeman from Missouri; John D. Lodge, former Connecticut Governor; Herbert B. Warburton, former Republican Representative from Delaware.

Others: Samuel Lubell, political writer; H. Mead Alcorn, Hartford lawyer; Ralph H. Bonnell, Winchester, Mass., banker; Thomas B. Butler, Baltimore banker; Robert Lehman, New York investment banker; Robert E. McConnell, Virginia mining engineer; Junius S. Morgan, of J. P. Morgan and Co.; Thomas J. Paolino, Providence, R. I.; Thomas A. Pappas, Boston; Fred C. Scribner, Jr., Portland, Me., lawyer; Frank J. Sulloway, Concord, N. H., lawyer; Louis Van N. Washburn, of New Hampshire; Edward G. Janeway, of Vermont, retired businessman.

HOOVER REPORT II

CONGRESS, former President Herbert Hoover said, soon will get the first installment of the second Hoover Commission report on reorganization of the Government. At the same time, a New York University group which helped with the report predicted it will be "far more controversial" than the first one in 1949. Some of the findings of Hoover Commission task forces, as disclosed in NYU's report:

There are some 1,500 activities carried on by Government which compete with private industry. It costs businessmen 1 billion dollars a year to fill out Government questionnaires, of which a large proportion "are filed and forgotten."

What proportion of the Hoover Commission recommendations also would be filed and forgotten would depend on how Congress receives them.

SECURITY TRIAL

FOR VIOLATING "the trust and confidence" placed in him, Joseph S. Petersen, Jr., former code analyst for the supersecret National Security Agency, was sentenced to seven years in jail.

His plea of guilty spared the Government from revealing details of NSA in a public trial. Two other counts against him were dropped. In passing sentence, Judge Albert V. Bryan said the information Petersen had misused "could have —may have, for all we know—led to very, very serious consequences to the security of the United States."

SIZING SYSTEM

THE COMMERCE DEPARTMENT had a recommendation for makers of women's clothes. They should, said the Department, agree on a single measurement standard so milady can buy two size 12 dresses in two different stores and get two dresses of the same size.

With such a system, said Commerce expert Edwin E. W. Ely, the 84 per cent of American women who conform to some set size would have an easier time shopping. For the remaining 16 per cent, the Department had no solution.

Mrs. Donald Cummings, Jr., and her young son Donald

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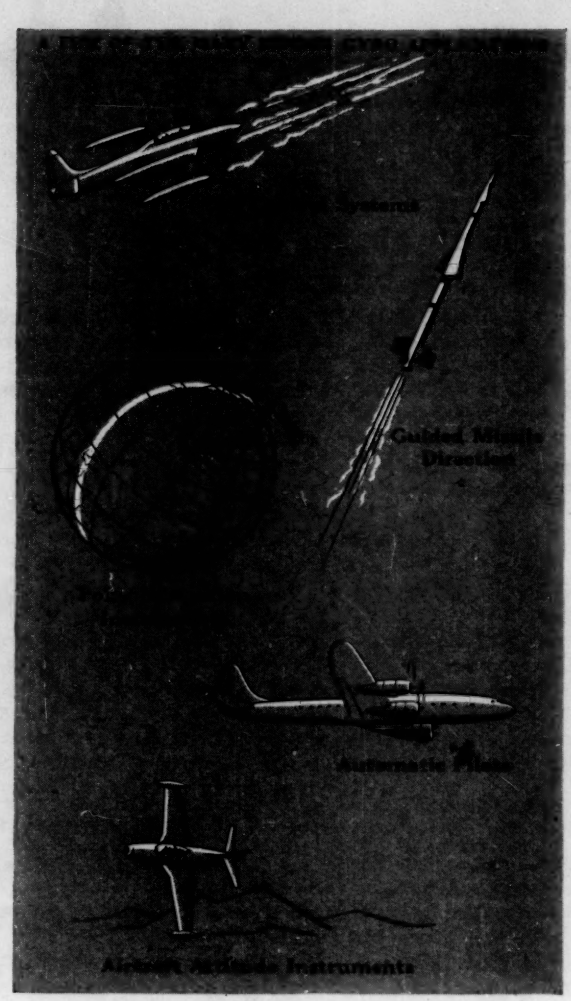

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Washington Whispers®

[Items appearing on this page are reported in Washington and other news centers]

Ike Takes Over FDR Formula . . . New Blood for Top Republican Councils? . . . Nixon Under Fire for '56

A superhighway that will make easier a trip from the White House to Camp David and to the Eisenhower Pennsylvania farm is convincing some Maryland and Pennsylvania politicians that Mr. Eisenhower will try for another term in 1956. The White House is reported to be showing special interest in completion of this highway, which cannot be ready very long before a second term would start.

★ ★ ★

Franklin Roosevelt was father of the political formula that President Eisenhower is applying at this stage of his political career. The Roosevelt formula, which worked like magic, was to promise good things to most big groups in the population.

★ ★ ★

Mr. Eisenhower is being pulled and hauled on the subject of vacations. The President wants to take a trip to Palm Springs, Calif., and another to Georgia for hunting, but is being admonished that vacations are a subject of political controversy when coming close together, just after a long holiday at Christmas. Whether to take either or both of the newly proposed vacations is being debated.

★ ★ ★

Mrs. Eisenhower would like to make some changes in White House help but finds that she runs into Civil Service rules even when it comes to running her household.

★ ★ ★

The President of late has been discussing with visitors the need for bringing more young blood into top councils of the Republican Party in order to have plenty of men to choose from when time comes to consider presidential nominees. The President mentioned a number of names, mostly of young Republicans who are classified as "liberals."

Richard Nixon, Vice President, is beginning to be shot at backstage by some "liberal" Republicans. The idea being advanced is that it would be a mistake to give Mr. Nixon second place on the 1956 ballot because it might drive away some Democratic votes that the Republicans hope to corral that year.

★ ★ ★

Charles Wilson, Secretary of Defense, came around only with reluctance to accept the President's plan for cutting nearly 400,000 men out of U. S. armed forces. The U. S. Joint Chiefs of Staff and civilian secretaries of the Army and Navy opposed these cuts, which the President politely insisted upon.

★ ★ ★

Robert Anderson, Deputy Secretary of Defense, is becoming a favorite of President Eisenhower's. Mr. Anderson is considered to be in line for the top Defense post if and when Secretary Wilson decides he has completed the reorganization job in the armed services undertaken two years ago.

★ ★ ★

Arthur Burns, economic adviser to the President, is advocating action by Government to check any speculative or credit excesses before they lead to a boom that can be followed by a bust. Some critics are warning, however, that, in the zeal to avoid a boom, Government might generate another bust.

★ ★ ★

Ezra Benson, Secretary of Agriculture, has come under rather sharp criticism from some key members of the White House staff. Criticism is directed at the way Mr. Benson handled the security case involving Wolf Ladejinsky, leading to a storm of controversy at a time when the White House was hoping for quiet.

President Eisenhower intervened personally when two of the Government's top security officers got tangled up in their interpretation of what constitutes a security risk under the President's rules.

★ ★ ★

White House speech writers were a bit embarrassed at the scores of changes President Eisenhower made in his state-of-the-union message at the last minute. The President objected to the loose wording and length of the original speech and insisted on extensive revisions. Changes were being made right up to the moment he began delivering the message to a joint session of the House and Senate, despite the amount of preliminary preparation.

★ ★ ★

Averell Harriman, Governor of New York and a possible Democratic nominee for President in 1956, is trying not to become too closely associated in the public mind with "Americans for Democratic Action." There are signs that the Governor feels that identification with ADA is not politically helpful.

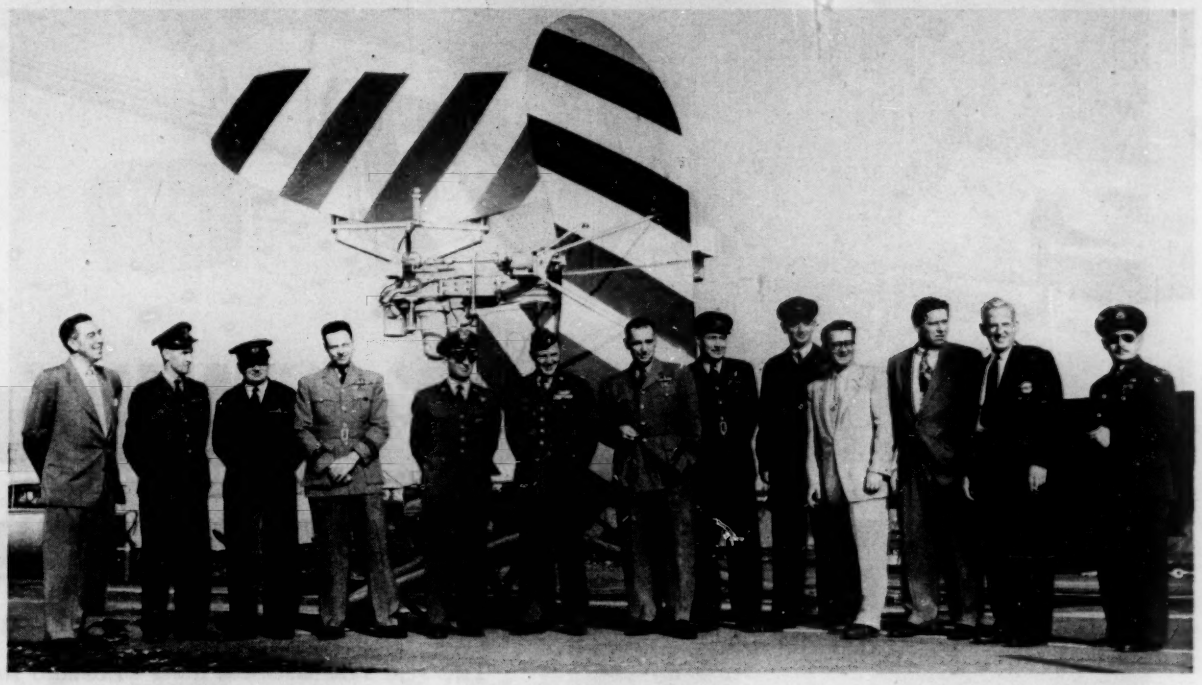
★ ★ ★

The White House is becoming concerned about loans being made to Communist China by some big banks in Europe to pay for strategic goods bought in the West. Some thought is being given to the possibility of freezing American assets of these banks in the United States if the lending continues.

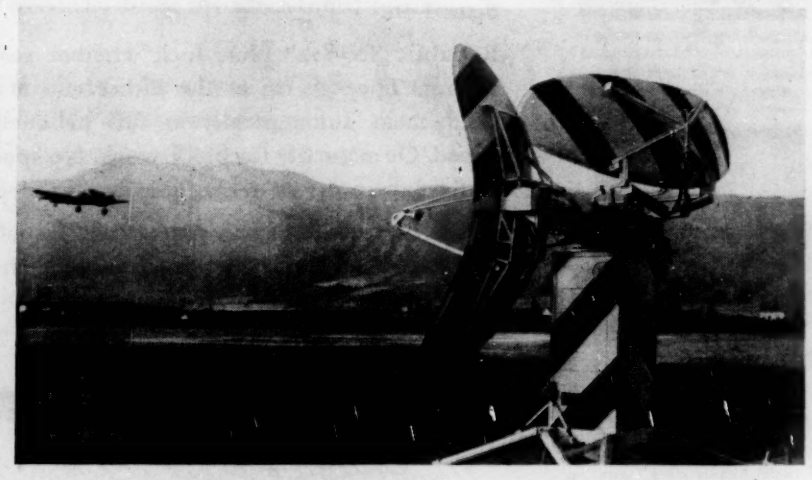
★ ★ ★

Marshal Tito, Communist ally of the United States, has this country caught in the middle. If aid pouring into Yugoslavia is cut, then the nation's dictator may turn to Russia. Yet, if aid goes on, the result, at best, is to build a wartime neutral.

AVIATION EXPERTS FROM AROUND THE WORLD SEE GILFILLAN GCA QUADRADAR DEMONSTRATED



Representatives of the Royal Canadian Air Force, the Royal Australian Air Force and the United States Air Force were among the many groups attending the field demonstrations of the new Gilfillan GCA Quadradar during November-December, 1954. Also witnessing the performance of the perfected equipment during this period were authorities from the French Air Force; the Spanish Air Force; the International Civil Aviation Organization, representing 63 countries; all Commands of the United States Air Force; United States Navy BuShips, BuAer and CNO; and the Civil Aeronautics Administration.



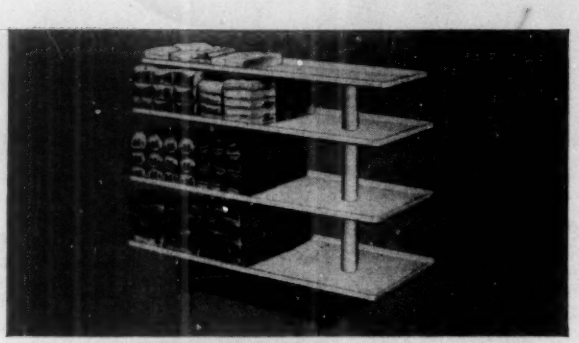
Over 200 aviation authorities attending the recent field tests agree the Gilfillan GCA Quadradar more than fulfills advance predictions of remarkable versatility. Arousing most comment was the clear demonstration that the new 4-in-1 equipment enables a single operator to handle multiple aircraft in a complex traffic pattern including emergency landings. Favorable comment also included the greatly increased definition and expansion of the precision approach display afforded by the new Beta Scan Azel scope developed by Gilfillan; instant rotation of antennas to serve desired runway remoted to operator's position; built-in circular polarization, eliminating rain and snow clutter; and, with the height-finding display, the location and checking of jet aircraft at 47,000 feet. The United States Air Force is now completing evaluation tests of the new equipment.

IN PRODUCTION. *Delivery:* 10 Months from Date of Order

GCA RADAR AND ELECTRONICS
Gilfillan
LOS ANGELES
AROUND THE WORLD

When

SPECIFY REPUBLIC "



Baked-enamel applied to Republic Electro Paintlok gives this bakery goods display a customer-attracting appearance and longer service life. These zinc-plated steel sheets are chemically treated to take paints, lacquers, synthetic enamels—and hold them for years. If you paint on steel, consider Electro Paintlok for making your fabricated steel products more attractive, more serviceable, at less cost.

Revenue increased 15% to 40% when these rental lockers were made from Republic ENDURO Stainless Steel. Yet, costs were only 9% more than for carbon steel, painted. ENDURO's bright, attractive finish generates "sell". No other material offers the designer so many advantages. Republic makes ENDURO in all commercial forms. Republic metallurgists will help you apply its bonus benefits to your product or process.

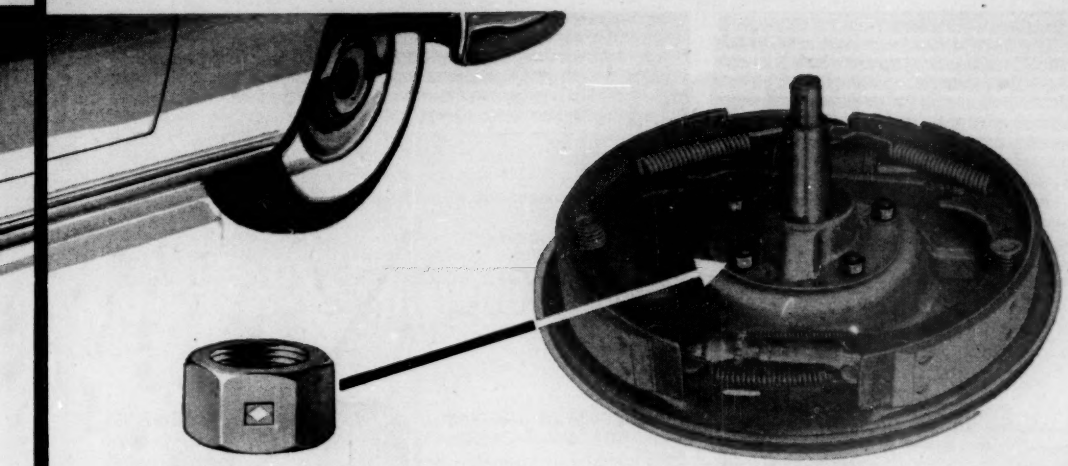
This rear axle assembly must withstand shock and vibration at high speeds. Republic "Nylok" Nuts are used to assure positive locking even under severe vibration. The nylon plug in one face forces the nut tight against the opposite threads of the stud as the nut is turned on.

Republic "Nylok" Nuts lock whether seated or not. They go on easily. Either end is up. Feed them automatically at full production speed. Or manually for piece-work. No special tools, lubricants or techniques are needed.

They cut maintenance costs, too. Republic "Nylok" Nuts are easily backed off for inspection of parts. And, then can be re-used.

REPUBLIC

World's Widest Range of Standard



vibration is a problem...

"NYLOK" NUTS!

12 WAYS BETTER

Assemble from either end • Can be re-used • Non-galling • Best wrenching characteristics • One-piece • Cold-forged • Won't damage threads • No special tools • Lock in any position • No special know-how • No lubricants needed • Ideal for mechanical feeding

SIZES

Finished Series tapped ¼" through 1"
Finished Thick Series tapped ¼" through ½"
Heavy Series tapped ¼" through 1"

Write for a sample indicating size required.

"Nylok" *Nuts are only one of more than 20,000 types and styles of high quality fasteners made by Republic for all industries.

*U. S. Pat. No. 2,462,603 and No. 2,450,694 and pending applications.

STEEL

Steels and Steel Products

These gears were made at less cost from Republic Cold Drawn Special Sections. Much of the machining was eliminated because the sections already were formed to the predominating cross-section of the part. Parts benefit from the increased physicals produced by cold drawing. The bright smooth finish rarely requires further machining. Send samples or blueprints of your parts. We will tell you whether you can save money—and how much—by making your steel parts from Republic Special Sections.

REPUBLIC STEEL CORPORATION
3142 East 45th Street,
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REPUBLIC STEEL

☐ Please send a sample "NYLOK" Nut Size_____
Please send literature on: ☐ Electro Paintlok Sheets
☐ Enduro Stainless Steel ☐ Cold Drawn Special Sections

Name_____ Title_____

Company_____

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City_____ Zone____ State_____

K-7507

Regular slimline, left, gives 620 units of light. New High Output Rapid Start lamp, right, gives 840 units of light.

NEW GENERAL ELECTRIC FLUORESCENT LAMP GIVES ⅓ MORE LIGHT THAN ANY PREVIOUS FLUORESCENT

LIGHTS ALMOST INSTANTLY—General Electric announces the most important advance in fluorescent lighting in 10 years: the new High Output Rapid Start fluorescent lamp. The 96-inch High Output lamp gives 36% more light than the most powerful G-E fluorescent lamp previously available.

For new installations, General Electric High Output lamps offer this ⅓ bonus of light without increasing the number of fixtures or maintenance costs.

This big increase in light, with no increase in lamp size, has been achieved through a special cathode developed by General Electric which permits a boost in lamp wattage to 100. Because the cathode is of the famous General Electric triple coil design, these Rapid Start lamps light up almost instantly. General Electric High Output lamps have a rated life of 7,500 hours, the same as all General Electric general lighting fluorescent lamps.

A new G-E base and socket design protects the lamp contacts by recessing them. A simple push-pull sets the lamp in its fixtures.

HAS VARIETY OF USES

The new General Electric High Output fluorescent lamp is especially suited for use in areas with high ceilings, in factories, warehouses, offices and stores. Also in store windows, showcases and other places where you want higher lighting levels in keeping with the modern trend. New fixtures designed for the G-E High Output lamp will soon be available from a number of lighting fixture manufacturers.

For information, write to Lamp Division, General Electric Company, Dept. 166–U–1, Nela Park, Cleveland 12, Ohio.

Progress Is Our Most Important Product

GENERAL ELECTRIC

FROM THE NATION'S CAPITAL

Tomorrow®

A LOOK AHEAD

Newsgram®

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Washington, D. C.

In sizing up what's ahead, bear these things in mind:

Inflation is not a serious threat in the present period.

Improvement in business is not always inflation and need not be feared.

Margin rise in stocks is a mild warning against too much speculation, not the start of a series of moves designed to choke recovery.

A revived recession is not going to be engineered by those now in power, if it can be helped. A "tight money" policy, applied in 1953, has just cost one election, by producing recession, and will not suddenly be restored.

You can expect brakes on business only when these things apply:

Industry is operating at or near capacity. Unemployment is less than 2 million. Wage rates are rising faster than productivity. Inventories are being accumulated. Prices of commodities are in a rise.

None of those tests is being met today.

Steel is operating at little more than 80 per cent of capacity. Farm surpluses are immense. Commodity prices are barely stable. Unemployment is around 3 million. Inventory liquidation is just ending.

Planners will hesitate to hit business over the head right now.

Here is the rule that will govern use of brakes on business:

When over-all business activity reaches a level that cannot be kept up, brakes need to be applied. Until business activity does reach a level that cannot be sustained, Government should not interfere.

At this time, business is just starting its recovery from recession; is not running away to excessive levels of a boom period.

These thoughts are very much in the mind of today's planners:

In 1920, brakes were applied to use of money in a series of moves. A crack came quickly in farm prices. Depression followed. People related the hard times to Democrats, who lost the White House for 12 years.

In the late 1920s, stock-market speculation gained much headway before any strong action was taken. Reserve Board lacked power to control margins. A speculative bubble burst, depression followed. Republicans lost the White House for 20 years. Past experience influences Republican thinking now.

In 1937, times were improving, stocks rising. Moves were made to make things a little tighter. The fastest depression in history hit in 1938. War and preparation for war dulled the political effects later.

In 1953, with a boom going, Republicans tightened money. Business took a tumble. Mid-term elections in 1954 went to the Democrats.

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Experience indicates that timing is the big problem in management of money. It also indicates that business can be highly sensitive to any moves by Government to apply brakes, even of a mild sort.

Stock-market investigation, being planned, will show this:

Speculation in this period is low, compared with 1937, when Democrats were in power and were hostile to business, very low compared with 1929.

Share prices, compared with other periods, do not appear excessive.

Credit in stock speculation is low. Trade volume, up, still is moderate.

What you find: Stock prices in late 1936 were 18.4 times earnings; now they're 15.3 times earnings. Brokers' loans in 1937 were 1.86 per cent of the market value of stocks; now they're under 1 per cent. Shares traded in March, 1937, were 3.6 per cent of shares listed; in December, 1954, they were 2.5 per cent of shares listed. Bond yields in 1937 were 3.32 per cent, stock yields 4.52 per cent; now bond yields are 2.91 per cent, stocks 4.12 per cent.

Congress, if it investigates, is to find little to cause alarm in the stock market of today compared with the market of New Deal days. Compared with 1929, speculation of the present is very mild.

In the present flurry of official concern about inflation:

Treasury officials are most inclined to worry, to favor brakes.

Federal Reserve Board officials are less worried, more relaxed.

White House is least worried, most politically conscious.

Eisenhower himself is against deflation; is lined up for what might be called mild inflation; for use of Government powers to assure prosperity.

The Eisenhower program, at start of his third year in office promises a little something for almost everybody. Ike, in many fields, seems to go a bit further than Democrats in control of Congress may be willing to go.

Big Government, any way it goes, obviously is here to stay.

What Eisenhower wants, and what he may get:

101 billions for highways: He'll get part, not all. Aid for building of schools: Some aid plan will be approved next year if not this.

Aid for small farmers: Uncertain. More aid for those on relief: It's rather doubtful. Public housing: A moderate program will go ahead.

Minimum-wage increase: It's probable, at 90 cents or $1.

Pay raise for Government workers: Almost sure. For judges: It's very probable. For Congress: Maybe, but not effective until 1957.

Draft extension: Yes. Compulsory Reserve training: Uncertain, maybe in some watered-down form. Military cuts: Yes, they're quite sure.

Health reinsurance: Possible. Flexible price supports: Yes, a veto can kill off action to force fixed supports. Vote for 18-year-olds: No.

Tax cuts for corporations: Odds are against it. Scheduled cut seems likely to be postponed. Excise cuts: Same prospect, odds against cuts now.

Budget balance: Not this year, but it might come in the year to begin next July 1. Low-cost Government: Not anywhere in sight.

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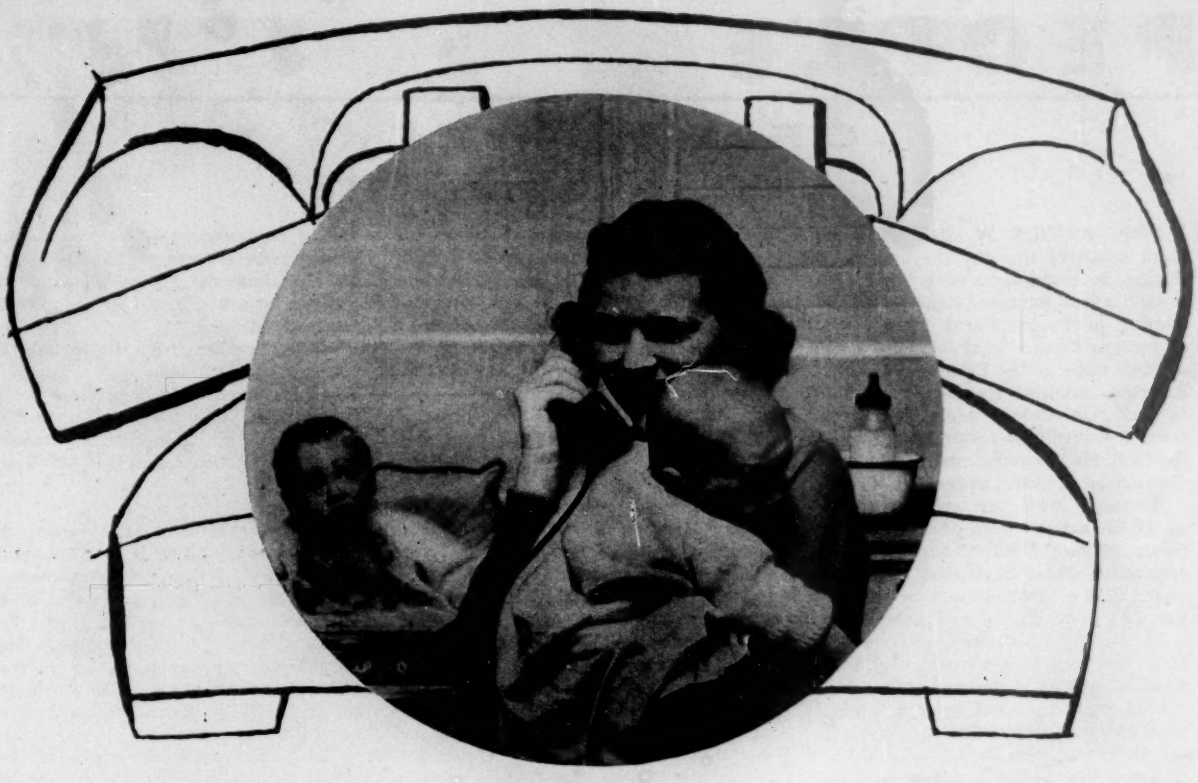
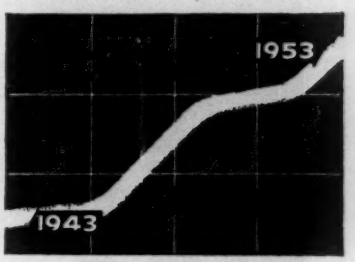


Independents gave you a free hand

They introduced the handy "handset" to telephone customers in the U.S.!



TELEPHONES IN SERVICE
in Independent Telephone Companies

The popular *handset* type telephone was first produced in this country by a major Independent Telephone Industry manufacturer. Its introduction brought new convenience to telephone use—new consistency to voice transmission. Independents scored other telephone "firsts" with *automatic switching*—forerunner of today's dial system—and with the first direct *operator-dialing* long distance service. Imaginative leadership is part of the growing strength of America's 5,100 Independent Telephone Companies—now a 1½ billion dollar industry. Every telephone customer in the land shares their success.

USITA

United States Independent Telephone Association

Pennsylvania Building : Washington, D.C.

PEOPLE ★ ★ ★

OF THE WEEK

› ADM. ARTHUR W. RADFORD has spent much of the last 12 years in the Pacific, as commander of a World War II carrier task force and as postwar commander of Pacific naval forces. When he became Chairman of the Joint Chiefs of Staff, early in the Eisenhower Administration, Admiral Radford was known to feel that China, under Communist control, would be a continuous threat to the U. S. He developed plans to blockade Communist China if ordered to do so.

Returning from the latest of his frequent inspection tours of Far East defenses, Admiral Radford now is speaking cautiously about blockading China. He warns that a blockade will be an act of war, not to be lightly undertaken.

The Admiral gives the impression that U. S. policy toward defense of the Far East is settling down for a long haul. Aid to build up local defense forces is proceeding satisfactorily, he says, but the U. S. will have to continue the aid program "for a very long time to come."

American boys will be stationed in the Far East indefinitely, and U. S. troop strength in Korea will be kept to at least two divisions. Atomic weapons are ready for use if new Communist attacks are made in Korea. Formosa can be defended against Communist invasion, which the Admiral does not think will happen while the U. S.-Formosan defense pact is in operation. The outlook: armed tension, without big war, for a long time in the Far Pacific.

› GUIDING HAND in the unfinished and still-sensitive arrangements for France and West Germany to arm as allies is to be **Edgar Faure,** a youthful former Premier of France. In Cabinet changes shaping up last week, Mr. Faure was marked to become Foreign Minister. He has been Finance Minister while Pierre Mendès-France has doubled as both Premier and Foreign Minister.

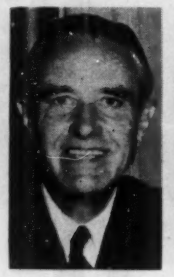
Mr. Faure has been in on plans to rearm West Germany from their beginning, was Budget Minister in the 1950-51 Cabinet of Premier René Pleven—the Cabinet that first proposed the now-defunct European Army plan. For 40 days early in 1952, Mr. Faure headed the Government, wrung reluctant permission from the Assembly to continue European Army negotiations, then agreed at a North Atlantic Treaty conference that West Germany should raise a force of 12 divisions. A few days later the Assembly ousted him because he asked a 15 per cent tax increase for defense.

While Premier, Mr. Faure was the youngest man to hold that office in 75 years. He is a lawyer, a brilliant orator, has a direct and energetic manner. In spare time, he writes detective stories under the nom de plume of Edgar Sanday.

› DAG HAMMARSKJOLD quickly discovered last week that he was up against the toughest diplomatic assignment of his career. As Secretary General of the United Nations, he arrived in the Forbidden City of Peiping to convince Communist China's tough, bland Premier, Chou En-lai, that Americans who fought for the U. N. in Korea should be freed from Chinese prisons.

The Swedish diplomat who symbolizes the U. N. is accustomed to dealing with Europeans, people with a background of Christian moral standards. Son of Sweden's World War I Prime Minister,

(Continued on page 18)



HARRIMAN
(New York)

LEADER
(Pennsylvania)

FREEMAN
(Minnesota)

SIMMS
(New Mexico)

8 NEW GOVERNORS: DEMOCRATIC KEYS IN '56

› MEN WITH POWER to build up State political organizations that could win the Presidency for the Democrats in 1956 are taking office as Democratic Governors all across the country this month. Eight of them swept Republicans out of office, in States with a total of 115 electoral votes.

The eight new Governors:

W. Averell Harriman, New York.
George M. Leader, Pennsylvania.
Orville L. Freeman, Minnesota.
John F. Simms, Jr., New Mexico.
Edwin C. Johnson, Colorado.
Ernest W. McFarland, Arizona.
Abraham A. Ribicoff, Connecticut.
Edmund S. Muskie, Maine.

With re-elections and unseating of eight Republicans, Democrats now govern 27 States, including 5 of the 7 with 20 or more electoral votes. Governors' influence can be strong in picking a presidential candidate, and Governors' political moves will be clues to national politics.

JOHNSON
(Colorado)

McFARLAND
(Arizona)

RIBICOFF
(Connecticut)

MUSKIE
(Maine)

Joseph H. Snyder, President of the Color Corporation of America, tells:

"How we set a record with the Thunderbird!"

"When news got out about the Thunderbird, Ford dealers scheduled a big preview at Palm Springs, California," relates Joe Snyder of Color Corporation of America.

"But as the date drew near, it became clear to Ford that the one Thunderbird then in existence—a hand-made model—would have to stay there in Detroit!

"The solution? Giant natural color prints—and Air Express.

"Films were rushed to the Color Corporation in Tampa, and we made Hi-Fidelity color prints *larger than the top of a desk*. These were back in Detroit in record time—and in Palm Springs the day after!

"There is no other service comparable to Air Express. We would be just a local business without it.

"Yet Air Express rates are usually lowest of all. For instance, a 10-lb. shipment from Tampa to Detroit costs $5.06. That's 68¢ less than the next lowest-priced air service."

Air Express

GETS THERE FIRST *via U.S. Scheduled Airlines*

CALL AIR EXPRESS . . . *division of* **RAILWAY EXPRESS AGENCY**

he is a cultivated man, interested in art and poetry and educated as an economist. His brilliance as an economist brought him into diplomacy to deal with trade and finance problems. He is known as a tactful but persevering man, with an ability to compose quarrels through compromise, sees himself as a civil servant with the duty of carrying out policy, not making it.

But, in Peiping, Mr. Hammarskjold got a cold-shoulder welcome at the airport, followed by a puzzlingly cordial cocktail party and a small dinner with Chou. Sizing up Chou, he found a stubborn revolutionary, with contempt for Western moral concepts and no high regard for human beings. Mr. Hammarskjold knew then how hard his negotiations were going to be.

› **R. W. SCOTT McLEOD,** best known to the public for the controversy that attended his sharp pruning of "security risks" from the Department of State, also holds other jobs in the Department that give him considerable power. Last week came disclosure that one of those powerful positions has been trimmed from his domain—the power to inspect overseas diplomatic posts, hear the complaints of State Department employes abroad.

This is the second reduction in Mr. McLeod's authority. Last March, he lost control over personnel at the recommendation of a special commission on reorganizing the Department. At that time, Mr. McLeod himself proposed that inspection power also should be taken from him and lodged with the person directing personnel, but the change was delayed for several months.

Mr. McLeod remains a busy man. The "in" basket on his desk is laden with work every morning. He also remains powerful. Still under his control are security, the admission of refugee immigrants, supervision of world-wide consular service, issuance of passports and visas.

An FBI agent from 1942 to 1949, Mr. McLeod was administrative assistant to Senator Styles Bridges (Rep.) of New Hampshire, until appointed to the State Department in March, 1953.

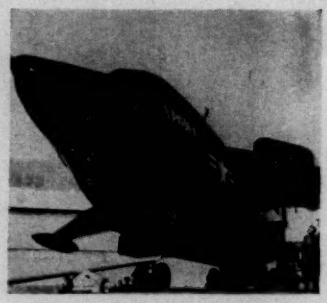
› **ANOTHER BUSINESSMAN** in politics is finding the going hard, after only a little more than a month in Washington. **Milan D. Smith,** youthful president and general manager of a prosperous frozen-food enterprise in Oregon and Idaho, took over on December 1 as executive assistant to Ezra T. Benson, Secretary of Agriculture. Among the duties assigned to him, two weeks after he arrived, was supervision of security. He quickly became known as a powerful man in the Department.

The security job led to trouble. Wolf Ladejinsky, after four years' service as agricultural attaché in Tokyo, was transferred from State Department rolls back to the Agriculture Department. Mr. Smith and his security aide, J. Glen Cassity, denied security clearance to Mr. Ladejinsky. Congressmen got angry. Hardly anyone but Mr. Benson backed Mr. Smith, who compounded his trouble by disclosing a letter that brought into the fight the fact that Mr. Ladejinsky is a Jew.

The White House intervened. Mr. Ladejinsky was cleared, given a ticklish job in Indo-China. Mr. Smith still believed his decision was right.

In Pendleton, Oreg., his home, Mr. Smith is regarded as one of the outstanding young men of the Pacific Northwest, was president of the Chamber of Commerce, the Rotary Club and the Civic Music Association. He is the third man in less than two years to be Mr. Benson's executive assistant.

MASTER OF THE SEA?



› **AN OLD FLIER** who became a Navy pilot in World War I and now is Secretary of the Navy is guiding development of a jet seaplane bomber that may challenge Air Force theories of overseas bases and the Navy's supercarrier concepts of long-distance attack.

The new bomber, disclosed last week by its makers, Martin Aircraft, has the speed, size and capacity of the Air Force's six-jet

B-47. **Charles S. Thomas,** Secretary of the Navy, says the new plane can be built as big as the B-52 intercontinental Air Force bomber.

The Martin SeaMaster is conceived as the heart of a "seaplane striking force" of half a dozen planes fueled by submarine tankers. And the Navy says the new Martin plane is "ideally adapted" to use atomic engines.

› **EX-DICTATOR** of Panama, once ousted from office in a fierce gun battle after he tried to suspend the country's constitution, was the first man whom police went looking for after machine-gun assassins killed the pro-American President, José Antonio Remón. The ex-dictator, **Arnulfo Arias,** had a perfect alibi—he was at home on his coffee plantation, 300 miles away from the shooting. His reputation as a past trouble center, plus the fact that the German "burp guns" used to shoot down the President were just like some previously confiscated from Arias, were enough to keep him in jail for the time being.

The man in jail had long been feuding with the late President Remón. Arias started out to be a doctor, was graduated from the Harvard University Medical School in 1925, built up a practice in Panama. He has been more politician than doctor since 1931, when his brother Harmodio successfully ran for President, held office four years.

Arnulfo became president in 1939, acted anti-American and pro-Nazi, was overthrown a year later while on vacation in Cuba. Back home after the war he was installed as President again in 1949, after quick successive ousters of two other Presidents. For trying to reinstate a dictatorial constitution, he was ousted from office in bloody riots, impeached and stripped of all future rights to hold office.

"Step up" is now "step on"

Wherever machinery takes the place of "shanks' mare," you get a significant saving of human energy and time. Elevator, escalator, horizontal conveyer . . . these have helped reduce walking and climbing to a minimum. Inanimate objects, too, are conveyed swiftly and economically nowadays. Equipment for this kind of transportation, whether of people or materials, plays a large part in our daily lives. Sundstrand makes *its* contribution to the extensive "conveyer" field with machine tools which help to manufacture basic conveyer parts. This field is just one of many served by Sundstrand's "Engineered Production" Service*, through one of its eight divisions. Perhaps Sundstrand is a name to remember in *your* business, too.

Sundstrand Special Double End Boring Machine for boring and chamfering both ends of various sizes of conveyer rollers.

*Fifty Years of "Engineered Production" Service**

SUNDSTRAND

A name to remember in your business!

MACHINE TOOL DIVISION—Lathes, Milling Machines, Special Machinery, Centering Machines, Bench Centers, Balancing Tools.

BROACHING DIVISION—Standard and Special Broaching Machines, Tools, Work-holding Fixtures.

AVIATION DIVISION—Constant Speed Hydraulic Drives, "Rota-Roll" Pumps.

FUEL UNIT DIVISION—Pumps used by the nation's leading oil burner manufacturers.

INDUSTRIAL DIVISION—Hydraulic Transmissions, Pumps, Control Valves, Fluid Motors.

PNEUMATIC DIVISION—Air Sanders for Automotive, Woodworking, Metalworking and Plastics Industries.

FOUNDRY DIVISION — Gray Iron Castings for Sundstrand and other manufacturers.

MAGNETIC PRODUCTS DIVISION — Tool Room and Production Chucks, Magnetic Fixtures, Lifting Magnets, Chip and Coolant Separators.

Sundstrand engineers have worked with leaders in American industry, in many fields, for half a century. Benefit by Sundstrand's *reliable* research, *expert* engineering, *precision* production. Write for story:

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MACHINE TOOL CO.

ROCKFORD, ILLINOIS

American Broach & Machine Company
Ann Arbor, Michigan

*REG. U. S. PAT. OFF.

B.F.Goodrich

How trucker gets 140,000 miles from all-nylon Traction Express tires

AFTER 140,000 miles of drive wheel service, G. W. (Buck) Conner, Superintendent of Transportation for Wesson Oil and Snowdrift Sales Company, has B. F. Goodrich Traction Express tires moved to trailer wheels. There the tires roll another 30-40,000 miles *before recapping*, carrying vegetable oil shortening to a large part of the Southwest.

53 UNITS carry Wesson Oil products throughout the Southwest. Nylon shock shield under the Traction Express tread protects against road shock, gives more original mileage and more recappable tires.

Two, three, sometimes four recaps run up a mileage record for this Houston, Texas manufacturer that's impressive even for Traction Express tires. But other users report similar service, call the Traction Express the 100,000-mile tire.

All-Nylon body

Nylon is stronger than ordinary cord materials, can withstand double the impact and resist heat blowouts and flex breaks. That's why B. F. Goodrich builds the Traction Express with an *all-nylon* cord body. The Traction Express outwears even its extra-thick tread — up to 46% thicker than that of a regular tire—and can still be recapped over and over!

The Traction Express tire is molded with the beads close together. When mounted, air pressure spreads the beads to full rim width. The sidewalls act as levers, *compressing* the tread. A compressed tread resists abrasion, adds mileage.

See the *all-nylon* Traction Express (rayon construction at lower prices) at your B. F. Goodrich retailer's today. His address is listed under Tires in the Yellow Pages of your phone book. Or write *The B. F. Goodrich Co., Tire & Equipment Division, Akron 18, Ohio.*

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RESEARCH KEEPS B.F.Goodrich FIRST IN RUBBER

SPENDING IN '55 TO BE UP 16 BILLIONS

Boom Ahead in Autos, Travel, Food, Construction, Furniture

It's going to be another boom year for businessmen, almost all of them.

The evidence is coming in already, even before this year's inauguration. Factories are rehiring, purchasing orders are on the increase. There seems to be a general pickup in activity, and it looks long-lived.

The way the signs point:

Americans are likely to produce 373 billion dollars in goods and services in 1955. That means the highest level of spending ever—even higher than 1953's record. Biggest gainers may turn out to be those who were hit the hardest by last year's dip.

Cash registers are going to jingle with added billions of spending money during the year ahead.

Almost all merchants are to get some of these additional dollars. So will many building contractors. Producers of most things can expect increased volume. Airlines, railroads, trucking companies, the industries that provide services are in line for larger earnings.

When the year is ended you are likely to find that some 16 billion dollars more was spent in 1955 than in 1954. The groups that are going to get those dollars are presented in the chart.

In over-all terms, this means that a grand total of more than 373 billion dollars is to be spent in the United States this year. That amount is the measure of business activity—the dollar value of all goods and services expected to be produced during the year. This is a considerable gain over the 357.3 billion spent in 1954, and better even than the 1953 record, when 364.9 billion was spent.

The increase in spending and in output already is becoming evident. Factories are calling people back to work. Orders to producers are increasing. Merchants are totting up the results of a record-breaking Christmas season. The signs are that this rise in activity will continue right through the year and into 1956, unless Government "easy money" policies are reversed.

The improvement that lies ahead can be traced almost completely to private enterprise. It is private spending, not public spending, that promises to lift activity to record heights. Demand for more goods and services is coming primarily from individuals and business firms.

The year ahead also is likely to produce almost complete recovery from the

—USN&WR Photo

PLENTY OF BUYERS FOR FURNITURE AND APPLIANCES

. . . as more and more new homes go up

dip in activity that began in mid-1953 and carried through most of 1954. Industries that stand to make the biggest gains this year are those that were hit hardest by the slump. In general, these firms are producers and distributors of metal products—automobiles, refrigerators, appliances. Industries that process and sell "soft goods," such as food, clothing, gasoline, managed to make some headway in face of the 1954 recession. They are expected to push up to record highs in 1955.

From people: 242 billion. The prime movers in the business uptrend are to be individuals. Their wants this year are expected to soar to a record 242.5 billion dollars, an increase of 8.9 billions over 1954.

The chart on these pages gives you an idea of the industries that will profit from this increase in individual demand. The automobile industry is likely to sell 5.6 million new passenger cars this year, against 5.3 million in 1954. Spending for automobiles, parts and accessories is expected to reach 12.8 billions—a 600-million-dollar jump over 1954 but not quite as high as 1953. More sales of furniture and appliances are in prospect as a result of the continuing boom in home construction. New homes need a lot of equipment.

The food industry, from processor to storekeeper, can expect to cash in on the prosperity that lies ahead. More money was spent for food last year than ever before, and still more is to be spent this year. However, the farmer, the producer of food, is not likely to benefit much from higher food consumption by the American people. Commodity prices are not expected to change much this year, and farm income is likely to slip off a bit.

When it comes to other things consumers use up fairly rapidly, record sales are in prospect, but the gain over 1954 is likely to be moderate. Altogether, however, people are likely to spend 3.4 billion dollars more on so-called "soft goods."

For businesses that provide personal services to people, the outlook for 1955 is rosy. All told, a thumping 88.8 billion dollars is expected to be paid out for services compared with 84.6 billions in 1954. This means good business for most landlords, hotelkeepers, vacation resorts, airlines, barbers, beauty parlors, physicians, dentists, lawyers, architects and the thousands of others who offer services.

How business will spend. In business spending, the biggest shift is to come in inventory policy. Last year, business firms were busy cutting down their stocks. They actually sold more goods to final users than they purchased, with the result that production declined. Now the process of inventory trimming is ended and businesses are beginning to restock. In the present year, inventories are expected to be increased by at least 2.4 billions. Since trimming amounted to 3.2 billions in 1954, the net effect will be to add 5.6 billions to total demand in 1955.

Business also is to continue the expansion that has marked the postwar years. Investment in buildings and equipment is expected to be a bit larger in 1955 than in 1954. Spending for private construction is expected to go to 29.1 billion dollars, compared with 27.4 billion in 1954. Most of the gain will be in residential building, but increases also are in sight for stores and office buildings and by public utilities. Industrial construction, farm building and railroad construction are likely to be lower than last year.

Purchases of business equipment proved to be a soft spot in 1954. This year the situation is likely to change, with equipment buying moving up. Higher demand for equipment probably means increased production of such things as industrial machinery, farm machinery, tools, trucks, cash registers, typewriters and store fixtures.

American business is likely to realize more from foreign trade in 1955 than in 1954. With general prosperity abroad, the demand for American-made goods is expected to increase. The U. S. also will buy more from abroad, but indications are that an export surplus of some 400 millions will result.

Altogether, private spending by individuals and businesses is likely to increase 17.2 billion dollars over last year.

From Government: less. Government spending, on the other hand, will sink a bit. All of the decline will come from smaller federal demand for goods and services, chiefly in smaller purchases of military hard goods. But State and local governments will add to expenditures as they push ahead with programs to improve schools and highways, hospitals and health centers, sewer and water systems. The outlook is for a 3.2-billion-dollar drop in federal spending and a 2-billion-dollar increase for other governments.

The underpinning for improved business activity comes from a combination of developments. The adjustment from a wartime to a peacetime economy seems to have been completed. Consumers enjoy high and rising incomes and are in the mood to spend. The population is growing rapidly. Finally, Government policies to date are aimed at promoting business expansion through favorable tax and credit policies. If these policies are continued, a record volume of business is indicated for the present year.

HOW SPENDING WILL RISE IN 1955

1955 COMPARED WITH 1954:

PEOPLE WILL SPEND:

- $ 600 million *more* for autos
- $ 500 million *more* for furniture and appliances
- $ 200 million *more* for other hard goods
- $ 800 million *more* for food
- $ 2.6 billion *more* for clothing, other soft goods
- $ 1.4 billion *more* for rent and housing
- $ 600 million *more* for household operations
- $ 2.0 billion *more* for personal services and travel
- $ 200 million *more* for other services

BUSINESS WILL SPEND:

- $ 5.6 billion *more* for inventories
- $ 1.7 billion *more* for new construction
- $ 600 million *more* for new equipment
- $ 400 million *more* on foreign investment

FEDERAL GOVERNMENT WILL SPEND:

- $ 3.2 billion *less* for goods and services

STATE AND LOCAL GOVERNMENTS WILL SPEND:

- $ 2.0 billion *more*

That adds up to a gain of $16 billion above the 1954 total

Source: Estimates by USN&WR Economic Unit

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Treasury Secretary Humphrey Says:

INFLATION IS STILL A THREAT

Inflation, all of a sudden, comes back as a matter of official concern.

As a result, new questions, important to everybody, are arising.

Is inflation considered a real danger at this time? What, really, is the attitude of Government? Is a crackdown coming?

To get the inside view, *U. S. News & World Report* went to the man who, more than any other, shapes the business and financial policies of the Eisenhower Administration.

This man is George M. Humphrey, Secretary of the Treasury, who here answers questions on inflation and what to do about it.

Q Do you feel that there is danger that inflation might come back in this country?

A I certainly do, if we fail to guard against it. It is very easy just to sit back and relax and let things happen that can lead to inflation. It is much tougher to have the courage to take the steps that are necessary to prevent it from developing. Unnecessary Government spending, inadequate or improper taxation, or excessive credit expansion could again lead to inflationary pressures if we are not constantly alert.

Q What is needed to avoid more inflation?

A You might say that two basic things are needed. First of all, we have to keep our fiscal operations on a sound basis and keep working toward a balanced budget at the lowest levels of taxation consistent with our defense needs. On top of that, we have to be sure that our monetary and debt-management policies continue to be directed along that narrow road between inflation and deflation. In that way we can continue to work for the stability of the dollar and provide a sound basis for economic growth.

Q Are you concerned that inflation may be reviving?

A We are watching the situation very carefully.

Q What would you consider danger signals of inflation?

A Some people think that you can tell if we have inflationary pressures just by looking at a price index. It isn't that simple, however. By the time inflationary pressures are reflected in a big price increase, it may be too late to correct the damage that has been done. There are a great many things that must be watched carefully, like the increases in bank loans and particularly those loans of a more speculative nature, the money supply, consumer credit, stock prices, inventory buying, the trend of Federal Government deficits, etc.

Q Does the Government have power that can be used to check any revived inflation without at the same time bringing on a general business setback?

A We think so. We believe that if we keep a sound federal budget, the Federal Reserve's flexible monetary and credit policy, together with effective debt management, can all be applied gradually to help correct inflationary developments in their early stages. But the Government cannot do it alone. We can only succeed if we have the co-operation of all the many segments that make up this great economy of ours.

Q Is the average American going to have more money to spend in 1955?

A Predicting is not usually a very wise activity. But I will predict that the dollar you earn today will buy as much a year from today only if we keep doing the things which in the past two years have been so successful in halting inflation.

Q What is inflation, simply?

A Inflation is the situation in which the supply of money and credit grows faster than the supply of goods and services which you can buy. This produces a rise in prices. Then the dollar will buy less than it did. And, so, the dollar you earn will buy less than a dollar's worth when you spend it.

This loss is just as real as if a pickpocket rifled your wallet. It hurts everyone, but it is especially harmful to the thrifty who try to save for their own or their children's future.

Q What has been done about stopping inflation?

A I believe sincerely that one of the great and real accomplishments of this Administration has been the stopping of inflation. As a result, the dollar that you saved in January, 1953, will buy at least as much food or clothing as it did when you earned it nearly two years ago.

Q Does that really mean much to the average person?

A It certainly does. The dollar is the medium of exchange which lets you choose what you want to buy when you want it. A stable dollar is something we haven't seen for many years.

Suppose that back in 1939 you put enough money aside so that, together with interest, you would have $500 to help educate your son starting in 1953. In January, 1953, you found that your $500 had shrunk to only $261 in what it actually would pay for. And half of this loss had come since World War II.

If in 1939 you had saved and bought insurance or a pension to get $200 a month after retirement, or by buying bonds or by putting money in savings, you found in January, 1953, that your $200 had shrunk to only $104 in what it would buy.

Loss because of inflation even since World War II is startling. One thousand dollars saved by an individual at the end of World War II had shrunk by January, 1953, to only $680 in what it would buy.

In sharp contrast, during the last two years there has been a change in the value of the dollar of less than one half of 1 cent.

Q How has inflation affected the prices of specific items?

A That question is the key to how people who have saved have been hurt. The amount of food you could buy for $10 in 1939 cost $24 in January, 1953. Since inflation

has been checked in the past two years, it costs only about $23.50 now.

Fresh milk sold at grocery stores at 11.2 cents per quart in 1939, at 14.5 cents in January, 1946, at 22.8 cents in January, 1953—and at 22.2 cents in late 1954.

A can of tomatoes cost 8.6 cents in 1939, 12.9 cents in January, 1946, 18.5 cents in January, 1953—and 17.5 cents in late 1954.

Round steak was 36 cents per pound in 1939, 40½ cents in January, 1946, $1.03 in January, 1953—and 92½ cents in late 1954.

A man's work shirt which cost $1.25 in 1939 was $2.18 in January, 1946, $2.62 in January, 1953—and $2.50 in late 1954.

A dining-room set priced at $100 in 1939 was $147 in January, 1946, $202 in January, 1953—and $197 in late 1954.

These facts aren't spectacular, but they are very important. They affect the private life of every citizen. They affect all the hospitals and schools and every business in America.

For two years now (and for years to come—if we keep doing the things we ought to do), a citizen has been able to save and plan for retirement, an education for his children, security for his widow—or a rainy day—with more assurance that his pocket would not be picked by inflation.

We cannot turn the clock back to 1939. Too much has happened since then. But we have held it steady now for two whole years, and we aim to keep right on doing so.

Q You say inflation has been checked. Just how has this been done?

A Inflation has been stopped because this Administration is getting its fiscal affairs under control. We are cutting deficit financing. Planned spending of the previous Administration has already been cut by what amounts to a saving of about $350 for every American family. We are slowly but surely improving the structure of the public debt. The Federal Reserve System is now free to exercise proper monetary control.

All these things have helped to keep the amount of money and credit more in line with the actual needs of a growing economy. We have avoided the previous inflation with its excesses of credit and pegged markets which drove the value of the dollar down and down while prices of everything went up and up.

Q How about the effects of inflation on the economy in general? Some say we can't have prosperity without a little inflation.

A Prosperity need not be based on steadily increasing Government spending or war or inflation. As President Eisenhower said in the Hollywood Bowl in October: "We flatly reject the idea that, for America to stay prosperous, we must constantly run an economic fever. We flatly reject the idea that, for America to stay prosperous, the Government must always spend more than it has."

Q Then what is the Government doing to stimulate prosperity?

A The Eisenhower Administration found the economy's growth hobbled by regulations, controls, subsidies and taxes imposed in past emergencies. The economy was being twisted into the shape of things past, when it should have been reaching freely for its rightful future.

In addition, we found defense spending being used partly to buy defense and partly as a crutch to support an unsound economy. This endangered both defense and the economy.

We found an economy going stale, out of step with the times and out of step with the nation it had to serve.

We have been reshaping this Government's economic policies to build toward a strong and forward-looking nation, its economy firmly footed and self-supporting; an economy that will pump a continuous new flow of nourishment into the day-to-day American evolution of self-betterment; an economy that will constantly generate new and better-paying jobs for an ever-growing population. At the same time our economy must provide an ever-higher standard of living, plus the social services the people want and need, as well as the men and the weapons the nation must have for its defense.

Q What is the danger of inflation's coming back?

A It won't if the American people have the courage to support leadership in the direction we are now going. If we do, the wage earner will get the value of his earnings and savings. More and better jobs will be made. The widow will get the full value of her insurance. People can plan to educate their children. They can plan for retirement. And in retirement they can live decently and confidently without the fear that inflation could steal what they have put aside for comfort and protection.

Q Is inflation much more of a threat today than it was earlier in the century?

—USN&WR Photo

SECRETARY HUMPHREY: "Our economy must provide an ever-higher standard of living"

A Yes. Within the past half century this nation has gone through an economic evolution that dwarfs any other in the history of man's efforts to get a better life.

The result is that this nation is today made up of small to medium savers and investors.

Today we are a nation of "haves," not a nation of "have nots." That is a key point.

We have been in a tremendous evolution, peacefully bettering the lives of most of us.

We in this Administration have hitched our wagon to this rising star of a "have" nation to make sure of its continued rise—to keep making "have nots" into "haves."

OUTPUT: 6 TIMES THAT OF 1900

Q What sort of changes have caused this economic evolution?

A Some of them are almost unbelievable. Our total national production of goods and services in 1954 probably exceeded 355 billion dollars. That is 17 times as much as our national output in 1900. When you make allowance for price rises since the turn of the century, today's national production is still six times what it was in 1900. Our population has more than doubled since 1900, but our national output per capita—production per man, woman and child in the nation—is three times what it was then.

Our national income last year was about 300 billion dollars. After allowance again for price changes, this is six times what it was in 1900. And our income (with adjusted prices) per man, woman and child is, like production, three times as big as in 1900.

And notice this: The lower and middle-income groups have received the greatest share of our increased income. Early in the century, only 10 out of every 100 American families earned as much as $4,000 a year in terms of today's prices. Now 55 out of every 100 families earn more than $4,000 a year. Those with inadequate incomes for a decent living are becoming fewer and fewer, and more and more of them are becoming "haves"—people who have enough money not only to live adequately, but to save besides. That is the basic economic development in this country which must keep improving.

Q Where are these "savings" you talk about?

A One of the most common methods of saving is by buying insurance. In 1900, people in this country had 14 million life insurance policies. Today, with the population only slightly more than doubled, and with many people owning several policies, the number of life insurance policies has increased nearly 18 times, to 250 million. The total dollar savings in life insurance have increased from less than 2 billion dollars in 1900 to 80 billion dollars today.

Small investors' holdings in United States savings bonds total nearly 50 billion dollars. No such investment existed in 1900.

Nearly 10 per cent of all American families today own stock in American corporations. In 1900 this was just getting under way.

In 1900, individuals had liquid savings of all types amounting to less than 10 billion dollars. Now such savings of individuals in this country total more than 225 billion dollars.

About 25 million families own their own homes today, compared with only 7 million homeowners half a century ago. About 55 per cent of our families now live in homes of their own; nearly all the others want to. And ways and means of helping them to do so are of greatest concern in present Government policy.

In 1953 alone, Americans bought 30 billion dollars' worth of equipment for themselves and their homes. This included things unknown to the homeowner of 1900, like 8 million radios, 7 million television sets, nearly 4 million refrigerators, about 3.5 million washing machines, and a million air-conditioners. These are mass investments in a better life only a nation of "haves" could make.

25 BILLIONS IN PENSION FUNDS

Q What about specialized forms of investment in which a great many people share?

A Well, labor unions, to which many American workmen pay dues, are investors. Not so many years ago, union treasuries were low. Today many of them bulge with huge sums. They own banks and buildings, bonds and stocks, and investments of many kinds.

Today nearly 15 million Americans have more than 25 billion dollars invested in pension and retirement trust funds. This represents an investment of more than $1,500 per worker. These retirement plans were practically unknown in 1900.

You can see from those few examples what has been happening to the individual and the family in our wonderland economy. We need a completely new set of standards in thinking about ourselves. We are a nation of "haves," not "have nots."

Q Doesn't this prove that social revolution can come about peacefully in a democracy?

A Yes. Compared with the rest of the world, it is clear that this nation's economy has grown right on past, and has left behind in the dust, both socialism and Communism. We have progressed so that the basic interests of the wage earner and the small saver are today the same as the basic interests of the larger investor.

Q Are we making sure of continued expansion for growing population and better living?

A I believe so. Our industrial and commercial system gets its operating money from the vast sum of the small savings of millions of Americans. These little savings are funneled into big investments by the savings banks, the building and loan associations, the insurance companies, investment trusts, pension funds, union and fraternal organizations, and others handling the savings of the man who earns and saves only a small amount.

Business in this country has been pouring about 27 billion dollars of new investment into its plants and equipment in the last year. That tremendous amount must come from somebody's savings. Without it, the future's new jobs will never be born, nor will we get tomorrow's increase in productivity.

Q In the light of all this, what is your outlook for the future?

A If we keep doing what is right, we will not be rising on the hot, uncertain air of inflation. We will not be wearing the rose-colored glasses of a prosperity based on dangerous Government deficit spending—a spending which is treacherous both to the nation's security and its economic health.

We will be rising on the solid ground of:

Savings protected against shrinkage by a stable dollar;

Increased production and increased wages and earnings made possible by the investment of those savings in more, new and better tools of production;

Wide use, by Americans who are both workers and investors, of these tools of production to create more jobs, better and cheaper goods, and ever-growing earning power;

Use of this increased income—not to pay the bill for unneeded or unwise Government spending, or as tribute to inflation—but for the creation of a better life for all.

Why Washington moved in on the stock boom—page 27.
A close look at official policies on money—page 104.

"Calm Down," Stock Market Is Told

That's About All the Margin Increase Means

Official action raising margin requirements on stock purchases is a gentle warning more than anything else.

Federal Reserve doesn't expect higher down payments to drive many people away from stocks, at least not directly. Buying of shares on credit is not very high, in any event.

Thought is to nip excessive speculation before it starts.

These are the things that caused the Federal Reserve Board to tighten the terms on which people can buy stocks on credit:

- A speculative fever was beginning to show itself after stocks had risen almost straight up for more than 15 months.
- Tipsters again were active, as in horse racing, and were getting a following for advice that certain stocks were to reach specified prices.
- Use of credit in the market had started to expand. This increase in buying on the cuff came at a time of official concern over rapid rise in stock prices.

So Federal Reserve decided to throw up a caution signal. That signal came in an order increasing the percentage a person buying stocks must put up in cash.

Until January 5, a man could buy stocks with a down payment—or margin—of 50 per cent. On that date, by order of FRB, the required margin went up to 60 per cent.

This means simply that, in buying $100 worth of stock, a person now must pay at least $60 in cash, borrowing no more than $40.

A warning to the market. In issuing this margin order, FRB was saying, in effect, that the market needed to calm down a bit, that FRB saw the beginnings of danger, and that additional steps would be taken if necessary to keep the market from running wild.

This order was not an expression from FRB that stocks were too high in all instances. Nor did it mean that FRB had decided the general upward trend in stock prices should come to an end.

Federal Reserve, like the White House, has been inclined all along to welcome the bull market that got under way in the autumn of 1953. The rising market, in the official view, was simply getting stock prices into closer line with the real value of stocks—as measured by earnings and net worth.

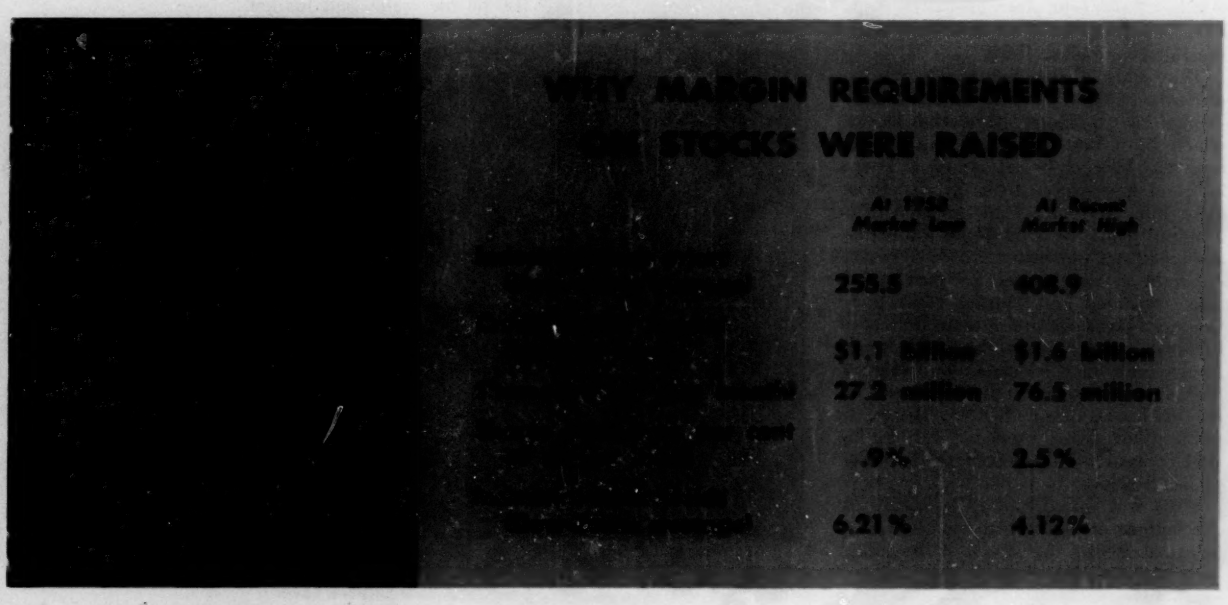
FRB got concerned when stocks started bounding up several points in a single day. Speculative stocks, as well as the "blue chips," showed up among the big gainers on the market. Reports from around the country indicated that a good many people, intrigued by the promise of a fast profit, were closing out savings accounts to buy stocks.

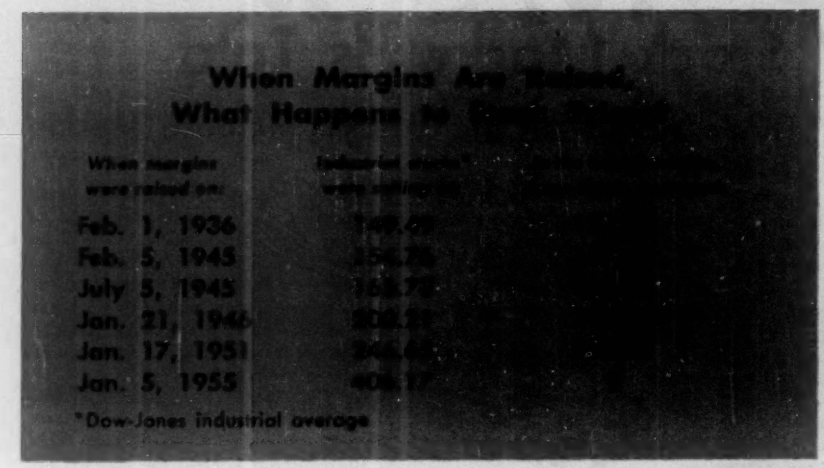
What FRB wants is an orderly market, without the big, sudden jumps that took place around the turn of the year. This was the thinking behind the margin order, which FRB intended as a word of warning to the market.

Where the market stands. The reaction to FRB's margin order emphasized this point, which could be important: The stock market, on its record-high perch, was extremely sensitive.

On January 5, the day FRB's order took effect, prices cracked on the market. The Dow-Jones industrial average went off nearly 9 points. It was the worst day the stock market had experienced since the start of the Korean war.

Next day, January 6, the market was pounded by two big selling waves. At the opening, there was more reaction from the FRB margin order, with prices falling again. Then came a rally. This was interrupted when news got around that the Senate Banking Committee was considering hearings on the sharp





When Margins Are Raised, What Happens to Stocks?

When margins were raised on:	Industrial stocks* were selling at:
Feb. 1, 1936	149.40
Feb. 5, 1945	154.76
July 5, 1945	163.77
Jan. 21, 1946	208.12
Jan. 17, 1951	248.48
Jan. 5, 1955	408.17

*Dow-Jones industrial average

1954 rise in stock prices. That news started a new selling wave, and prices dropped again. A late rally helped some issues recover part of the day's losses.

Shaky nerves often are found in the market following a sharp price rise, especially when speculation is involved in that rise. A temporary dip in prices—what the analysts call a "technical correction"—had been expected. The FRB order hastened the correction, and made it sharper than it would have been in other circumstances.

It is useful to examine the market, to see just what was happening at the time FRB decided to act.

The Dow-Jones industrial list, mostly "blue chips," had been in a long rise—about 60 per cent since September, 1953, and 16 per cent in the two months since the election. Still, this industrial average was just 7 per cent above the 1929 peak. The Dow-Jones rail and utility averages remained far below 1929.

That much of the picture was not too alarming to FRB. Greater concern was a sudden rise in more speculative stocks, which until late 1954 had lagged behind the blue chips. Standard & Poor's index of low-priced stocks in December alone jumped 14.6 per cent. That was in a month when the Dow-Jones industrials advanced 4.8 per cent.

Credit in the market, by past standards, remained low. During 1954, there was an increase of 400 million dollars in brokers' loans, to 1.6 billion. That was a new high for the current bull market. Still, this represented only 1 per cent of the market value of all listed shares. In 1929, these loans exceeded 8.5 billion dollars, nearly 10 per cent of the value of listed shares.

FRB was not disturbed so much by the volume of credit in the market as by informal reports that much of the recent increase represented margin buying by small investors.

The figures on trading showed a new excitement in the market. In December, the number of shares traded went up to 76.5 million, nearly twice as many as just two months earlier. Still, only 2.5 per cent of listed shares turned over in December. At the peak of the 1929 market, 100 million shares changed hands—9.6 per cent of the shares listed.

A shortage of stocks? Another situation, bearing directly on the price of stocks, is getting attention: Most corporations, despite a greatly improved market, still shrink from offering new stock issues. As for issues already outstanding, the favored ones have been in great demand, and big chunks have been taken off the market by institutions as well as individual investors.

In the recent rising market, investors have hesitated to sell, because of what the capital-gains tax would do to the profit. How widespread this reaction has been cannot be measured. Some observers believe it has been a factor in restricting the supply of stock relative to demand. If so, it might have been one of the forces behind the sharp uptrend in stock prices during the last 15 months.

Sellers, however, turned up in large numbers when FRB stepped in with its margin order.

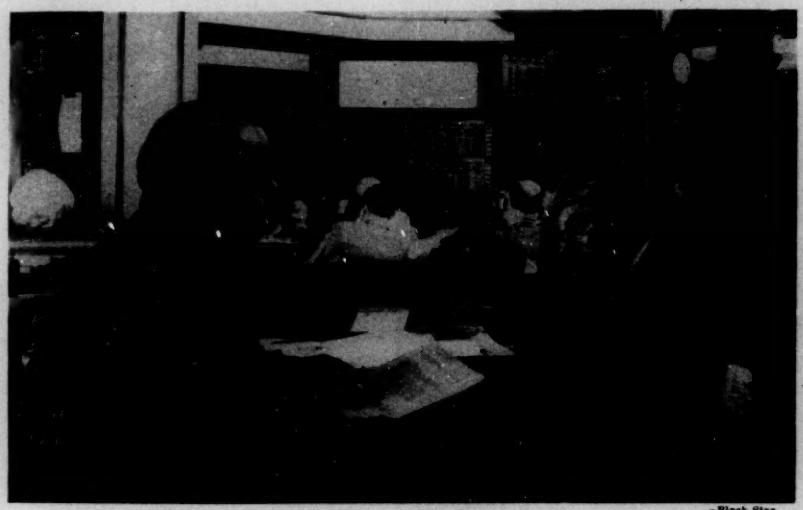
The same thing has happened in the past immediately after increases in margin requirements. These previous setbacks, however, have been only temporary. In each instance, the market has pulled itself together and resumed the price rise.

In February, 1945, margin requirements were raised from 40 to 50 per cent with no apparent effect on prices. In July of the same year, the required margin went up to 75 per cent. A moderate dip followed, but the market attained a new high at the end of the year.

Even in 1946, when FRB raised the margin requirement to 100 per cent—which ruled out all credit in stock purchases—the market overcame an early setback, then pushed up to a new high four months after the effective date of the order.

On Jan. 17, 1951, margin requirements were raised from 50 to 75 per cent. The rise in stock prices slowed for a while after that, but the market apparently was done no lasting damage. The upward trend resumed, and the market continued upward until January, 1953.

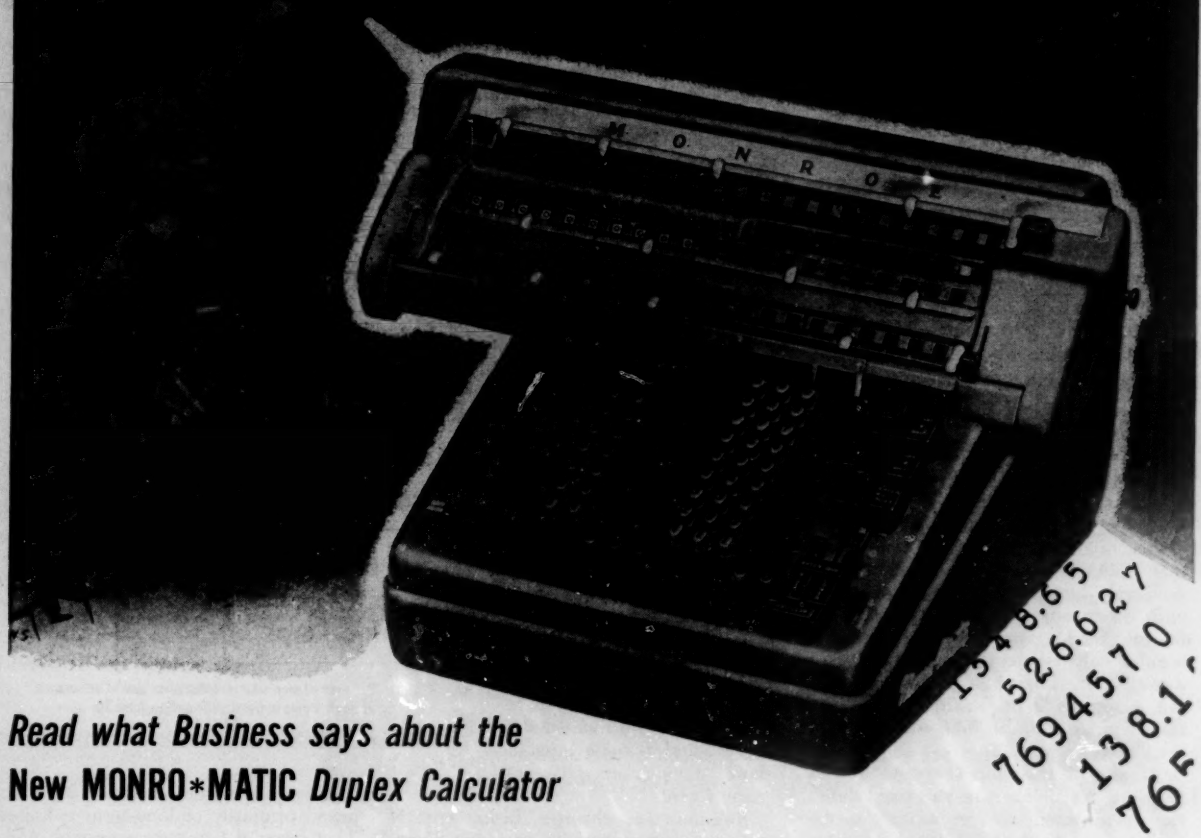
FRB, in issuing a new margin order, anticipated the same reaction again. There was no intention to put an end to the bull market.



—Black Star

BROKER AND CUSTOMER
. . . signs of speculative fever?

Now, faster, more economical figuring with *AUTOMATION



Read what Business says about the New MONRO*MATIC *Duplex Calculator*

Two months in action in leading industries, and in the users' own words, the Monro*Matic Duplex is years ahead!

From an electric utility: "Just what we needed for years... saves hours."

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The list is endless in praise of the new Monro*Matic Duplex. Companies large and small find it gives them *total automatic figuring!* The Monro*Matic Duplex begins where other calculators leave off. It adds *as* it multiplies. Adds *as* it divides. And, all important, it stores those answers for your later use. No need to re-do the whole problem later, step by step.

Yes, the Monro*Matic Duplex puts the modern miracle of automation to work for you, cuts through the toughest figuring work faster, more accurately, with fewer steps.

Ask your Man from Monroe for the whole story. Have him show you, on your own work, how the Monro*Matic Duplex reduces all figuring to feeding figures, pushing buttons. Monroe Calculating Machine Company, Inc., Orange, New Jersey. Branches Everywhere.

OPERATORS WHO KNOW... PREFER **MONROE** *CALCULATING, ADDING, ACCOUNTING MACHINES*

WANTED: CAREER GI'S

More Benefits for Professional, Fewer for Draftee

It is going to be worth more to stay in uniform, if the Pentagon has its way. Being an ex-GI is losing many attractions.

That's behind curtailing benefits for ex-servicemen. It is part of a plan to encourage volunteers while keeping the draft.

Idea is to make military life seem more worth while, financially and otherwise. It may prove better to stay in than to get out.

A try now is to be made to place military service in the United States on more of a career basis. The citizen-soldier, drafted into service and then rewarded with many special benefits when he got out, will be somewhat de-emphasized.

The shift in policy that is getting under way is being forced by experience.

Past policy has worked in such a way that military careers have become progressively less attractive, by comparison with other opportunities. Special benefits that for long periods had gone to the regular enlisted man or officer were reduced, sometimes taken away entirely. Yet Congress kept making new attractions available to the man who left service.

Results of this line of policy proved startling. As the chart on this page shows, the re-enlistment rate in military service took a nose dive.

Bonanza. A rush got under way among servicemen to get out of uniform at the earliest possible moment so as to enjoy educational benefits, special terms on purchase of a house, special unemployment-insurance benefits, a bonus for leaving in the form of mustering-out pay.

In effect, the Government was dangling before the eyes of a man in service the promise of thousands of dollars in the way of special benefits on condition that he get out of service.

An Army corporal, for example, whose draft term or enlistment was ending, could figure his choice this way: He could stay in the Army for three more years at about $130 a month if single, $207 if married. Or he could leave the Army, receive up to $300 in mustering-out pay, collect $104 a month for six months in unemployment pay, then enter college for 36 months at $110 a month if single, $160 if married.

Work—or "vacation"? "It was like giving a man a choice between three years of work and nearly four years of what looked like a paid vacation," one military official remarked.

President Eisenhower now is ordering those special benefits ended for men who begin service after January 31.

At the same time, Congress is to be asked to raise career soldiers' pay and restore and increase some "fringe" benefits that had been taken away.

The big raises, moreover, will be asked for the "hard core" professional soldiers. No increase will be asked for men with less than two years of service. Biggest gains will go to top-ranking enlisted men and low and middle ranks of officers, who make up the majority of the career servicemen.

In the past, the biggest pay hikes, in terms of percentage gains, went to the lowest-ranking but most numerous group—the draftees.

Behind the decision to reduce benefits for men leaving service, and increase gains for those staying on duty, are many factors.

Reasons for change. Rising cost of special veterans' benefits gave the Eisenhower Administration one reason for ending them. Education aids alone, for men released since 1950, are now costing about 500 million dollars a year. Officials did not overlook the fact that, by chopping off this program of rewards for temporary soldiers, the Administration saves more than half the yearly cost of the proposed pay raise for permanent, professional forces.

It is stressed, in this connection, that the original reason for the special benefits—unexpected, wartime interruption of a youth's career—has disappeared since actual fighting in Korea stopped more than 18 months ago.

The desire to shift toward an all-volunteer force, for the active defense of the nation, is another important key to new manpower plans.

The armed forces have decided they cannot fight modern wars, using radar, atomic bombs, supersonic planes and 60-mile-an-hour tanks, with 24-month soldiers, sailors and airmen.

The White House, however, is told that a longer draft term is a political impossibility. So the decision is to try for a compromise in the manpower setup. This is to take the form of a somewhat smaller total force on active duty, composed primarily of long-term volunteers. That force, if Congress approves, will be backed up by a huge Reserve of draftees who get only a few months of active-duty training.

Draft still wanted. As insurance, so they can always meet strength goals, the armed forces still want the 24-month draft law to bring in a relatively few men for active duty with the Regulars. But their main interest now, as described at the Pentagon, is to get and to hold around 2.6 million professional servicemen.

Under the long-range goals, the United States will have an active Army with only about one fourth of its men, at most, as draftees. In the recent past, about half of the Army's strength has consisted of two-year draftees. The Navy,

Why Armed Forces Want Increased Benefits

	1949 Re-enlistment Rate*	1954 Re-enlistment Rate*
Army	41.2%	11.6%
Navy	41.9%	23.4%
Air Force	60.0%	34.7%
Marine Corps	38.2%	10.3%

*Per cent of men who re-enlisted at end of enlistment or draft term; in fiscal year ending June 30.

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Air Force and Marines will continue, as now, to be composed of three and four-year volunteers.

Maintaining 2.6 million volunteers in a total force of 2.8 million will strain the ingenuity of the recruiters and may prove to be impossible. But the effort will be made.

Military officials figure they will not have a chance to succeed unless Congress extends the draft law and approves some kind of big Reserve, filled with youths drafted for that duty.

The drafted Reserve force, in the new plan, is to be a reservoir of trained men, instantly available. To a degree, this strengthened Reserve will compensate for the loss of the nearly 400,000 men to be dropped from the active forces, in the period ahead.

Even with the help of the draft, officials note that recruiting 2.6 million volunteers of the type wanted will be quite a job in peacetime U. S. That's about twice as big a force as U. S. had in 1949, and officials never knew from one month to the next, in that period, whether the military could maintain its forces. It is about 10 times the size of the armed forces in the 1930s.

The country now has 31 million more people than it had before World War II, but there is no assurance that any more youths are interested in a military career.

A contradiction? Congress and the public find it hard to understand why there's talk of a permanent draft and of a need for more attractions in military life at a time when the total armed forces are being cut, thousands of older officers who want to stay on active duty are being forced out, and many applications for enlistment are refused.

The answer from the Pentagon is that in modern warfare the need is greater than ever for young, intelligent, well-trained career men and officers. The way to get a force of such men, as officials see it, is to pay them well and take care of their families.

Moves to enhance military life's attractions already are starting. Congress approved last year a new schedule of re-enlistment bonuses. A career man now can get up to nearly $2,000 for re-enlisting, in the higher grades, where the old schedule had a top of $360. A plan to increase medical care for dependents is to be pushed, along with the pay-raise proposal. Bigger travel allowances are coming. The weight limit for moving servicemen's household goods has been raised.

It looks like the career soldier's inning. Draftees, and their benefits, are taking a back seat. But Congress can always change the signals, and has often done so in the past.

GI AIDS NOW CUT OFF

By White House order, Korean "conflict" ends at midnight, Jan. 31, 1955. The effect, for GI's:

College education: Chance to earn a college education, with a maximum of $5,760 in monthly cash payments, ends on January 31. Education aid will be payable for service up to the deadline. Rate: 1.5 days' aid per day of service.

On-farm, on-job training: Same rule as for college aid.

Mustering-out pay: Up to $300 is payable on discharge to "conflict" veterans but not to men starting service after January 31.

Unemployment pay: Up to $676 is granted to unemployed veterans of the "conflict" period. Benefit not open to men entering service after the deadline.

Disability pension: A man totally disabled in civilian life, after "wartime" service, can get up to $78.75 a month pension. Men starting service after January 31 are not eligible.

Home and farm loans: Korean-period veterans get Government-insured loans up to maximum guarantee of $7,500; or direct federal loans up to $10,000. Those beginning service after January 31 miss this benefit.

Pay for injuries: Men hurt in "wartime" get up to $181 a month. Those injured after January 31 get "peacetime" rate, 20 per cent lower. Same cut applies to pensions for survivors of men killed on active duty after January 31.

Hospital care: Any "wartime" veteran is eligible for free care at a Veterans' Administration hospital if unable to pay and beds are available. "Peacetime" veterans are excluded.

Dependents' pensions: Widow and children of a man with "wartime" service can get a pension when he dies in civilian life. Men who start service in "peacetime" are not given this right.

Burial expenses: The family of any "wartime" veteran can collect $150 toward funeral expenses when he dies. For men starting service after January 31, benefit applies only if the veteran is collecting disability pay at time of death.

Why Reds Want U.S. Butter

Most Russians Now Get Only Pound a Year

What to do with this country's surplus butter? A possible solution—sell it to Russia—is creating a major dilemma.

Sale to Russia at a discount, asked by farm leaders, would let Russians buy U. S. butter cheaper than Americans can.

But the alternatives may be no more palatable: Give it away or let it spoil. Result is a growing policy hassle in Washington.

A deal again is cooking to let Russia buy U. S. butter at a price lower than that paid by the American people.

Ezra Benson, Secretary of Agriculture, is pressing for such a plan. President Eisenhower has ordered a review of Administration policies that stand in the way at this time. Farm organizations are pushing for action.

Russia is anxious to get American butter—by trade or purchase.

The rulers of Russia have promised their people more to eat. But they have been unable, up to this time, to deliver on their promise. Edible fats and oils, so important to the Soviets because of bitter winters, are desperately short.

Unless a new source of butter can be tapped, it is unlikely that the consumption of butter in Russia this year will exceed 1 pound per person. That compares with 9 pounds per person in U. S. last year, in addition to the large American consumption of margarine. In Britain and West Germany, per capita butter consumption is 13 pounds a year. In Sweden it is 25 pounds.

To soothe Russians. As a result, demand in Russia is very great, with a new supply certain to be valuable for reducing public irritations.

Butter surpluses that could ease the problem for the Russians are held now in quantity by the U. S. Government. Available are 270 million pounds of butter. American taxpayers have about 170 million dollars tied up in this butter, and the Government continues to make price-support purchases at 57½ cents a pound. To interest Russia, the price probably will need to drop to less than 40 cents.

The plan now under study involves, in effect, offering butter on the world market to be bought by the highest bidder. Under present rules governing trade with Communist countries, this kind of deal is not possible. No surplus agricultural product can be sold to Soviet-bloc nations for less than the Government pays farmers in price-support buying.

The proposal of farm leaders is to change this rule and offer limited quantities of butter for bids from anyone. If the market absorbed these offerings without a general weakening of prices, then additional batches would be offered.

Who would benefit the most from a deal of this kind—Russia or the U. S.? That's the big question in the Administration's dilemma.

Butter, not bullets. An Agriculture Department official argues for the plan in these words: "I think that if Russia is willing to spend some dollars in the world market, it is better to have her buy butter instead of bullets. It would also be better to have Soviet workers mining strategic metals to trade to us for butter instead of mining uranium for atom bombs."

Amtorg Trading Corporation, the official Russian buying agent in the U. S., has offered to trade metals for butter and other foods. But Commerce Department officials say Russia has little to offer that is not available from other sources.

State Department officials, too, are somewhat leery of the whole deal. They fear that offering butter for bid prices on the world market not only may benefit Russia, but may offend allies who count heavily on their own butter exports. Answering, proponents of the plan emphasize that the whole butter stockpile would not be dumped on the market.

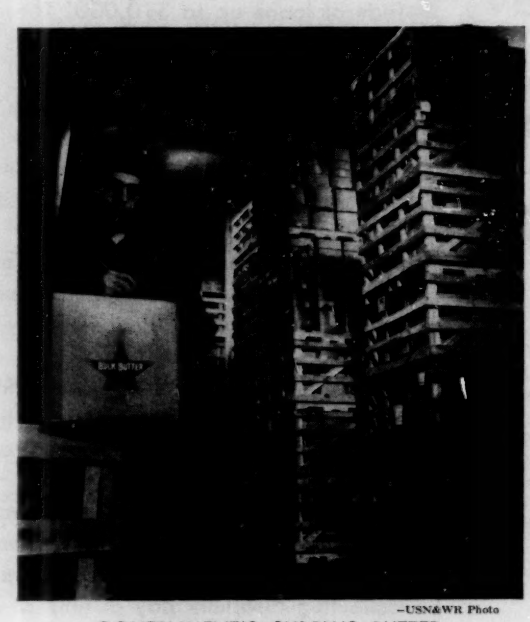
A similar plan, the record shows, has operated successfully in export sales, to friendly nations only, of 1.5 billion pounds of surplus cottonseed and linseed oil. World-market prices did not weaken, and farm officials say there have been no complaints from other nations.

Let it spoil? The big argument of those pushing the plan, however, is that the U. S. would be better off to sell its surplus butter for 40 cents a pound to Russia than to let it spoil. They hold, too, that adding to the volume of world trade will help the United States by stimulating more trade.

The possible propaganda use of butter sales to Russia also is being emphasized by the plan's proponents. Even though the butter would not bear a U. S. label when sold behind the Iron Curtain, the argument is that the fact could be put across that the food came from American farms, was in surplus supply under a capitalistic system.

Those officials skeptical of the plan, however, declare that Russia is not easy to deal with, that other nations have found her a difficult customer. The big question raised by these opponents of the plan is whether it could not result in giving a net advantage to a possible enemy, by providing the Moscow regime with the means of gaining a firmer hold over the Russian people.

It all boils down to this: America has the food in surplus amounts; Russia is desperately short, wants to make a deal; the Administration's dilemma is whether it can use the situation to this country's advantage.



—USN&WR Photo

GOVERNMENT'S SURPLUS BUTTER
. . . in exchange for Russian metals?

Cadillac

Maybe This Will Be The Year!

The handsome couple you see in the beautiful picture above have just made a very wise decision.

They have decided to get the facts about Cadillac—to see if, perhaps, the time has come for them to move up to the "car of cars".

And we hope sincerely that 1955 *will* be their Cadillac year. For this is the *perfect* year to discover the joys of Cadillac ownership!

Never before has the car offered so much by way of beauty, or luxury, or performance. It is inspiring to behold . . . and thrilling to drive . . . and wonderful to own . . . and economical to operate—to a degree unprecedented even by Cadillac.

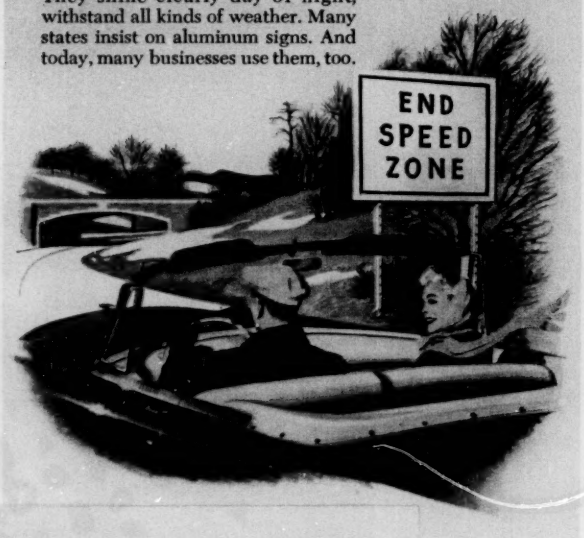
If a new Cadillac is high on your list of hopes for the new year, we think you should give careful consideration to these facts. And we suggest that you make a "resolution" now—to drive the 1955 Cadillac!

Your dealer will be happy to see you at any time!

CADILLAC MOTOR CAR DIVISION • GENERAL MOTORS CORPORATION

It takes aluminum. Look in your refrigerator. Chances are the freezing and vegetable compartments, shelves, and ice trays are aluminum. With aluminum, cleaning is easy, your foods stay fresh and flavorful.

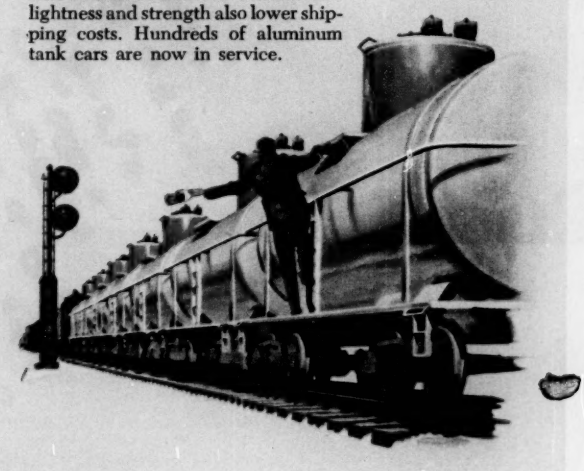
It takes aluminum. Most new highway safety signs are aluminum. They shine clearly day or night, withstand all kinds of weather. Many states insist on aluminum signs. And today, many businesses use them, too.



For more of the good things of life

It takes aluminum. The new and much talked-about home wiring is aluminum. Here, insulated aluminum wire is being installed inside hollow aluminum baseboard. Many such construction uses call for aluminum.

It takes aluminum to make tank cars like these, which transport chemicals without corrosion. Aluminum's lightness and strength also lower shipping costs. Hundreds of aluminum tank cars are now in service.



1955 will see more good things made with aluminum—the metal that happily combines light weight and strength, good looks and durability.

New products will call for more and more aluminum. To assure U. S. industry an ample, continuing supply, power installations and smelting plants in neighboring Canada are now being expanded. Canada has the millions of horsepower of electricity it takes to smelt aluminum, vast waterpower resources not competed for by other industries. No other country in the free world has so much waterpower readily usable for economical aluminum production.

Aluminum from Canada benefits the U. S. economy by assuring factories the raw material they need, and thus helping to insure jobs for over a million U.S. metalworkers . . . **Aluminium Limited, Montreal:** one of North America's great aluminum producing enterprises.

ALCAN

Aluminum *from* Canada

TANGLE IN SECURITY RULES

Mixture of Methods Gets Everybody Confused

Who is a "security risk"? A lot depends on which official in any one of 70 Government agencies has to make the decision.

There's the case of an employe cleared by one department, fired by a second, hired by a third—all on the same evidence.

Pressure is on to get the confusion out of security cases. But it is a complicated business.

President Eisenhower is having trouble with his program for getting potential spies out of Government. It develops that his own department heads are not able to agree on how to apply the rules he has set up. There are strong demands in Congress and among his Cabinet officials that the whole program be given a thorough overhauling.

Congressmen are calling the program a hodgepodge. Important Republicans say it is not working properly. There are areas in which half a dozen or more agencies may make investigations. Decisions made by one agency are not binding upon others. There are questions whether some of those who have been fired as security risks should not have been fired for other reasons if discharged at all.

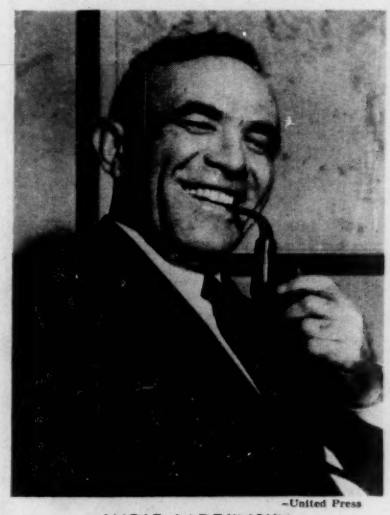
Democrats, just moving into command in Congress, long incensed by campaign charges that their party has been "soft on Communism," are preparing a full-dress investigation to see what the Republican Administration really has done in this area. Much is to be heard about this conflict in Washington in the days that lie ahead.

The Ladejinsky case. The confusion over the security program is highlighted by the case of Wolf Ladejinsky, a land expert, attached for the last four years to the U. S. Embassy in Tokyo.

Mr. Ladejinsky was given security clearance by Scott McLeod, security officer for the State Department, after an investigation by the Federal Bureau of Investigation. Studying the same files after Mr. Ladejinsky had been transferred to the Agriculture Department, Secretary Ezra Taft Benson refused to give him security clearance to continue the work he had been doing.

Then Harold E. Stassen, Director of the Foreign Operations Administration, made his own study of the files, ruled that Mr. Ladejinsky was not a security risk and hired him to work for FOA in Vietnam.

Mr. Benson, holding to his original decision in the matter, is proposing to the White House that there be a high-level bipartisan review of the whole security system to remove the chance for such conflicts in the future.



—United Press

WOLF LADEJINSKY
. . . cleared for service

As it stands now, the President's executive order makes the head of each department responsible for determining whether the employment of any person in his agency is "clearly consistent with the interests of the national security."

The investigation of all those employes who do not come into Government through the Civil Service Commission is another area in which, Congressmen say, there is a wide variance of procedures. This is left up to the employing department or agency.

If the agency that does the hiring has an investigative agency of its own, it makes the inquiry itself. If it does not, it turns the investigation over to the Civil Service Commission, which makes the study, calls in the FBI or permits some other investigative agency to do the job.

Thus, a great deal of the investigative work for non-Civil Service employes is done overseas by the Central Intelligence Agency. The Army, Navy and Air Force do a great deal of their own investigations. So do the Treasury and Interior departments, and such other agencies as have their own detective groups.

The Schmidt case. It was the investigations of one of these separate agencies that led to the employment in Berlin of Irmgard Margarethe Schmidt. She got two jobs with the help of an American friend in the U. S. intelligence service, and turned out later to be a Soviet spy.

In this instance, the investigation was handled by the agency on the ground. There had been no report to the FBI of any link of the woman to the Soviet. If there had been, the FBI automatically would have been brought into the inquiry. This is specified in the security regulations.

For employes who are under Civil Service, as was Mr. Ladejinsky, the first routine investigation is made by the Civil Service Commission itself. If this produces any information about the person's background, past associations or habits that arouses questions about his suitability, the case is referred to the FBI for a full field investigation.

In the Ladejinsky case, there were disclosures that he has three sisters in Russia and once worked for a short time as an interpreter for Amtorg, the Soviet trading agency. This automatically put the inquiry into the hands of the FBI. And the FBI reports, evaluated by three men, brought differing decisions.

Firings and resignations. At regular intervals, the Civil Service Commission is required to compile a report of the number of persons released under the loyalty and security regulations. The latest report is shown in the chart on page 36.

These figures, as usual, were received with raised eyebrows by a great many Congressmen. Both Republicans and Democrats have been trying to get back of these figures to arrive at an understanding of just what is going on. They contend that the figures include persons who, if fired at all, should have been put out of the Government for other reasons than those of security.

The retiring Republican chairman of the House Post Office and Civil Service

The Story of 8,008 Security Risks

(Results of the Government security program over a 16-month period ended Sept. 30, 1954)

THE ACTIONS			THE CHARGES			
Fired	*Resigned*		*Subversion*	*Perversion*	*Convictions*	*Other*
638	943	Navy	294	93	851	823
371	309	Air Force	284	23	114	344
302	625	Army	357	136	145	380
1	5	Office of Defense Secretary	2	3	1	0
5	228	State	78	106	1	62
100	79	Treasury	48	6	28	109
59	130	Justice	59	5	31	139
140	247	Interior	110	12	252	156
102	113	Agriculture	32	8	59	175
77	56	Commerce	14	16	68	87
6	20	Labor	16	4	3	8
49	161	Health, Education & Welfare	62	23	82	112
324	519	Post Office	275	23	261	437
184	26	Foreign Operations Adm.	17	16	4	186
1	4	Atomic Energy	1	2	0	4
2	74	U.S. Information Agency	44	13	0	35
353	1,112	Veterans' Administration	266	111	549	1,036
154	87	General Services Adm.	20	7	89	125
44	21	Govt. Printing Office	23	4	29	15
19	33	Civil Service	8	8	1	35
12	36	Tennessee Valley Authority	2	1	37	25
1	7	Selective Service	7	0	0	3
15	36	Housing & Home Finance Agency	13	13	11	15
0	7	Library of Congress	4	0	0	3
8	41	National Advisory Committee for Aeronautics	15	5	14	39
5	16	National Labor Relations Board	16	1	1	11
30	71	Other agencies	29	16	18	53
3,002	5,006	Totals	2,096	655	2,649	4,417

Committee, Representative Edward H. Rees, of Kansas, asked the Civil Service Commission last June for an official study of exactly why these employes were fired as security risks. What he wanted was some case histories to show the things that constituted subversive actions. The report was compiled by the Commission, but the Justice Department refused to give it security clearance. Up to this time, Congress has not gotten it.

In the absence of specific information, Congressmen find it hard to write any sort of adequate law to deal with the problem. And they find themselves handicapped when they want to come to the aid of any constituent who might get involved in a security case.

When security charges are raised, the files are closed by a tangle of red tape. No outsider can get access to them. A Congressman who wants to know whether charges raised against a constituent are warranted can learn nothing. This causes all sorts of reports to spread through the Capitol.

Congressmen have been told of one federal employe, assigned to duty outside the U. S., who accepted a favor from a commercial concern in a friendly nation to get his sick wife home for treatment. The employe's security clearance was withdrawn. He had to be fired. He agreed that his conduct was questionable and that perhaps he might have been discharged on other grounds, but argued that he was not a security risk.

There are other reports. One man, cleared of moral charges many years ago, was fired as a security risk when his fingerprints from the old case showed up in the agency at which he worked. An engineer was fired as a security risk when some long-forgotten peccadillo at an Army post came up in his files.

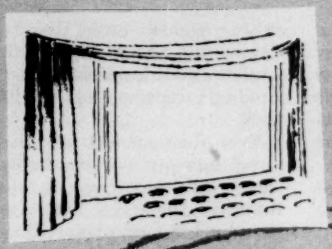
Congressmen say the methods vary from agency to agency and department to department among the 70 such groups in the Government. One department head may rule that the man who drinks three cocktails is a risk. Another may set the limit at two. An ordinary breach of conduct, which of itself may be enough to discharge an employe for cause, may become a security matter.

The Air Force, in its security regulations, has spelled out a requirement that they be used only in cases where security is involved. They are not to substitute for "applicable civilian personnel removal procedures which will be used as appropriate where national security is not a consideration."

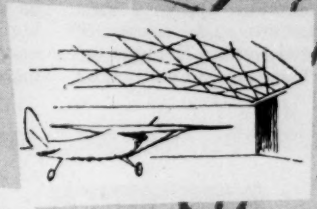
This rule illustrates a point Congressmen want to ask questions about. They want to know why more agencies are not using it. As they get into the matter, the whole security program is to get a real going over.

phosphates

help control fire!



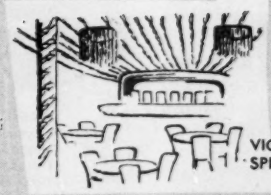
FYREX FOR
FLAMEPROOFING TEXTILES



AMMONIUM PHOSPHATES FOR
FLAMEPROOFING WOOD

AMMONIUM PHOSPHATES FOR
FLAMEPROOF COATINGS

Fabrics, wood, and paper can be flameproofed quickly and economically with Victor phosphates. Diammonium phosphate is combined with certain resins to provide flameproof coatings for wall-board and in the manufacture of flameproof paints. Ammonium phosphates are used to prevent after-glow in matches. Textiles are easily flameproofed while in production, or by spraying or immersion of the finished material with a solution of Victor Fyrex or ammonium phosphate. Special papers can be made flame-resistant with Victamide. If your product can benefit from being flameproofed, you'll find . . . *it pays* to see Victor. Write Victor Chemical Works, 155 North Wacker Drive, Chicago 6, Illinois. In the West: A. R. Maas Division, South Gate, California.



AMMONIUM PHOSPHATES
TO PREVENT AFTER-GLOW

VICTAMIDE FOR FLAMEPROOFING
SPECIAL PAPERS

VICTOR

Dependable Name in
Chemicals
for 57 Years

WHERE RUSSIANS CAN GO IN U.S.

White House, Pentagon, Congress, Other Key Spots

Russian agents, told now to stay away from some parts of U. S., still keep free access to all of their big sources of information.

They're assured admittance to the White House, Pentagon, atomic-energy headquarters, all federal agencies, hearings before Congress; they can get tons of reports, maps, statistics, plans.

Most data about U. S., it turns out, can be had in Washington.

Diplomats from Communist Russia, if they want to travel in this country, now find their travels restricted. Big chunks of the United States, for them, are declared out of bounds.

At the same time, however, other Russian Communists working for the United Nations in New York can go anyplace in the country. So can Communist diplomats from satellite countries of Russia.

In Washington, where Communist spy work centers, Russia's spies continue to receive every privilege.

The Russian news agency, Tass, keeps a representative at the White House. The doors of the Pentagon swing open to Russians looking for information. Soviet employes enjoy the same access to the halls of Congress that Americans enjoy. They may even enter the Atomic Energy Commission headquarters, where they face no more information barriers than are faced by Americans.

Press cards that open doors to American reporters at the Department of State, the White House, the Senate and House of Representatives, all are available to "reporters" from Russia.

Information of military value, available to Communist agents without restriction, is so abundant that it is often confusing. The Communists get so much that they appear to have trouble deciding what it all adds up to.

All of this is viewed as adding to the mystery that surrounds the new order limiting travel of Russia's diplomats within the U. S.

The Russian system. Travel restrictions in Russia are not limited to American diplomats. They apply to all Americans. U. S. newspapermen are denied free access to the Kremlin. Doors do not open to them at the Soviet war ministry or atomic-energy headquarters. There is no mass of military information made available to American reporters or to military attachés to assess and speculate about.

It remains very different for Russians in this country, in spite of the new limits on travel.

In Washington are 368 Russians in the diplomatic missions or with diplomatic status. The restrictions apply to them alone. No restrictions apply against 50 Russians at United Nations headquarters in New York. There are no restrictions, either, against travel by hundreds of Communist agents representing Russian satellite countries diplomatically, or other hundreds representing satellites at the U. N.

Even Russians who are affected by the travel ban are not too badly off, compared with Americans in Moscow. The Russians can travel across any banned area by train or plane. They can even drive across banned areas if they follow assigned "highway corridors." They can go to Florida for the winter. Most of the big American cities are "open." So are most resort areas, most industrial areas, most mountain areas, most of the sea-

FOR RUSSIANS – AN "OFF LIMITS" MAP OF THE U.S.

Banned areas may be crossed by train or plane, not by car

Legend

- **Closed area**
- **Closed city**
- **Highway corridor**
- **Open city in closed area**

Open cities in otherwise closed areas:

Atlantic City, N.J.; Austin, Tex.; Baltimore, Md.; Berkeley, Calif.; Cambridge, Mass.; Camden, N.J.; Canton, Ohio; Chattanooga, Tenn.; Chicago, Ill.; Cincinnati, Ohio; Cleveland, Ohio; Dearborn, Mich.; Elizabeth, N.J.; El Paso, Tex.; Evansville, Ind.; Fall River, Mass.; Fort Wayne, Ind.; Fort Worth, Tex.; Gary, Ind.; Glendale, Calif.; Hammond, Ind.; Houston, Tex.; Kansas City, Kans.; Knoxville, Tenn.; Lansing, Mich.; Lincoln, Nebr.; Long Beach, Calif.; *Los Angeles, Calif.; Lowell, Mass.; Lynn, Mass.; Milwaukee, Wis.; Nashville, Tenn.; New Bedford, Mass.; New Haven, Conn.; *New Orleans, La.; †New York City; Niagara Falls, N.Y.; Oklahoma City, Okla.; Omaha, Nebr.; Pasadena, Calif.; Phoenix, Ariz.; Quincy, Mass.; Reading, Pa.; Richmond, Calif.; Sacramento, Calif.; Saginaw, Mich.; St. Louis, Mo.; San Antonio, Tex.; *San Francisco, Calif.; San Jose, Calif.; *Savannah, Ga.; *Seattle, Wash.; Shreveport, La.; Somerville, Mass.; South Bend, Ind.; Spokane, Wash.; Tacoma, Wash.; Trenton, N.J.; Tulsa, Okla.; Utica, N.Y.; Washington, D.C.; Waterbury, Conn.; Wichita, Kans.; Worcester, Mass.

*Open except for port areas. †Open except for Brooklyn.

Basic Data: State Department

coasts, all but 27 per cent of the entire country.

Secret installations out over the country are off limits to Russian agents, but information about those installations is available to Communists as well as others, in most cases, from agency headquarters in Washington.

Russian "news" reporters can go to the Pentagon, for example, and get complete lists of U. S. military bases, with their exact locations within the U. S. and abroad. A Soviet agent can find out at the Pentagon, too, exactly how many Americans are in uniform in each of the armed services, and approximately how that strength is distributed at home and overseas.

Atomic "secrets." Soviet agents then can get from Atomic Energy Commission headquarters in Washington an up-to-date list of this country's atomic installations, with the location and function of each. There is no problem of locating on a map the installations producing atomic weapons, processing atomic fuel, researching atomic power plants or engaged in military experimentation.

The agent who visits the Government Printing Office finds another gold mine of vital information available either for the asking or for a few dollars at most. Here, he is free to purchase American military handbooks, technical publications of all kinds, reports on U. S. industrial production in detail, copies of congressional debate that forecasts U. S. policy for years ahead.

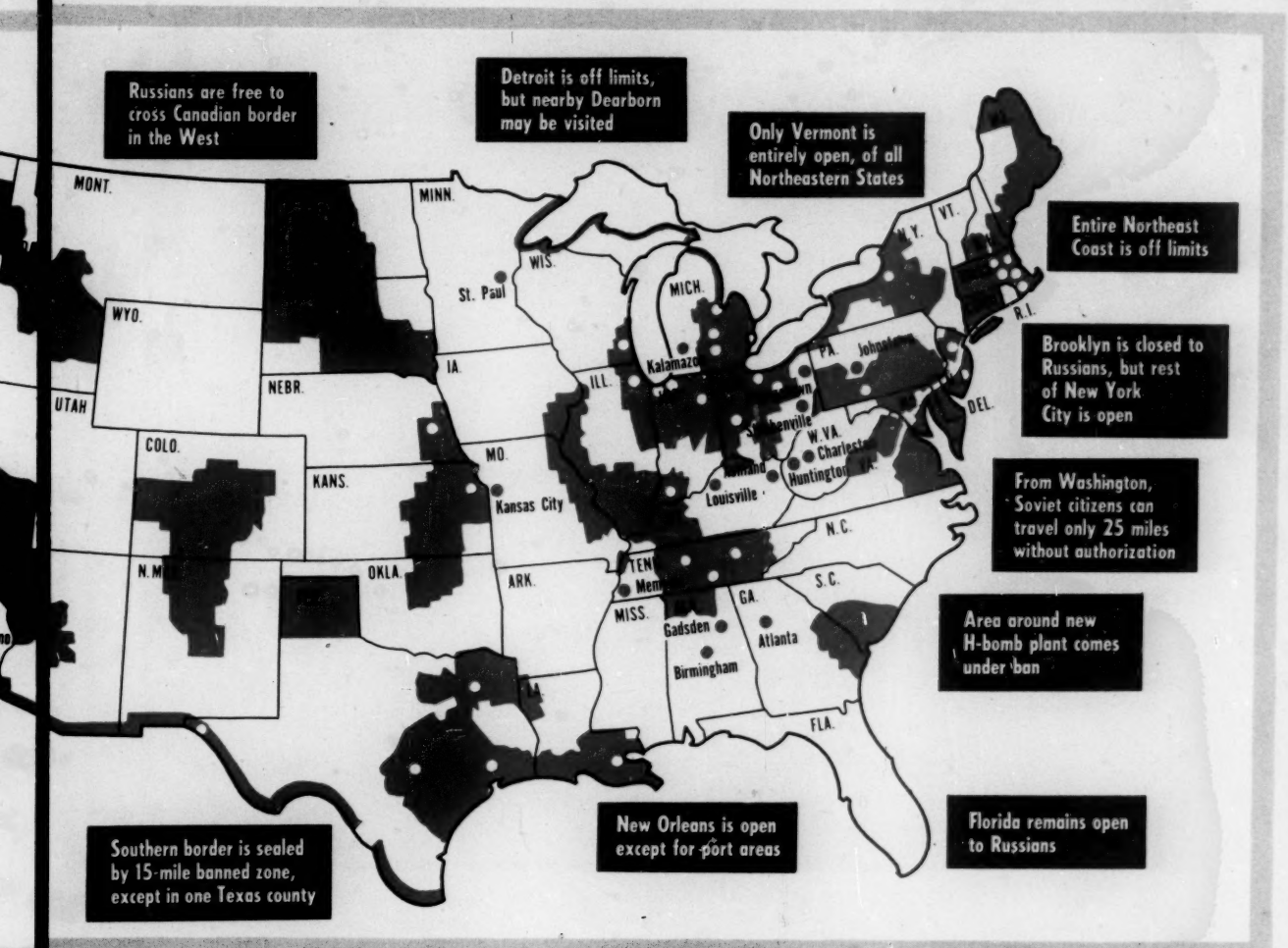
Communists who are barred from topmost defense installations also may get most or all the information they want by attending congressional hearings, particularly those dealing with appropriations. Even the printed record of military money hearings, with "secret" information deleted, provides a tremendous amount of data on this country's strength and plans for defense of the non-Communist world.

Without moving from Washington, moreover, Russians are able to get detailed information about every part of the U. S.

From Government agencies or private sources, the Soviet agent is free to buy aerial photographs covering nearly every part of the United States. These photographs show rivers, lakes, bridges, cities, towns, farms, factories, dams, public buildings, even houses and streets, in the greatest detail. Only a few restricted military areas are withheld from such distribution.

Besides these, the Russian can easily obtain in Washington the Coast and Geodetic Survey maps and weather maps. He can collect economic reports and journals, corporation statements, statistical data of many kinds.

From freely available Government reports on industrial mobilization, he can learn what factories are making arms for the Government, where those factories



© 1955, By U. S. News Pub. Corp.

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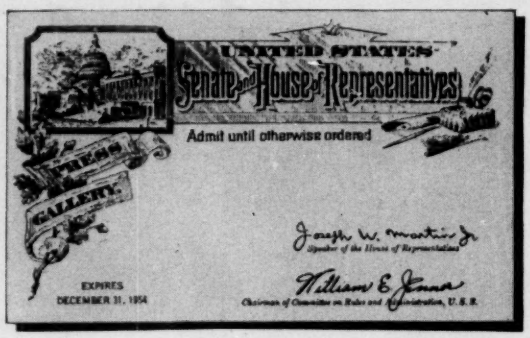
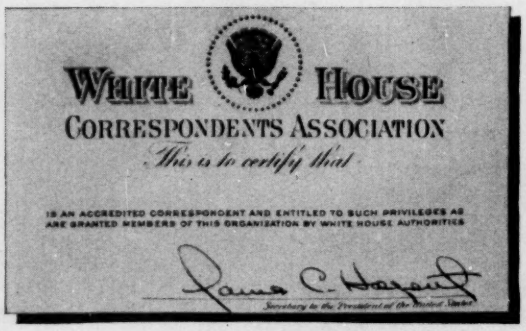


Admit to: THE CONGRESSIONAL GALLERIES

NO.
DATE Sep. 9, 1954
DEPARTMENT OF STATE CORRESPONDENTS ASSOCIATION
THIS IS TO CERTIFY THAT
IS AN ACCREDITED CORRESPONDENT TO THE
DEPARTMENT OF STATE

Admit to: THE STATE DEPARTMENT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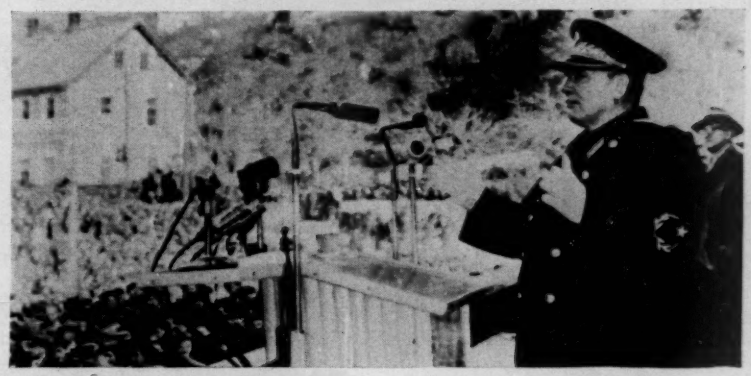

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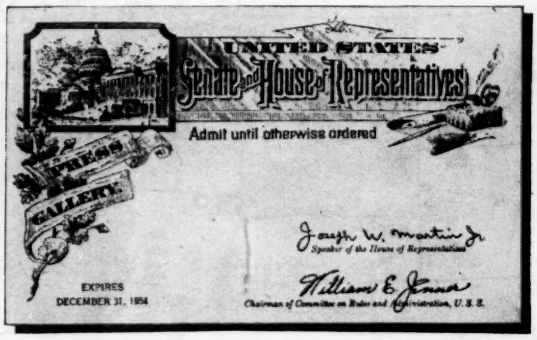

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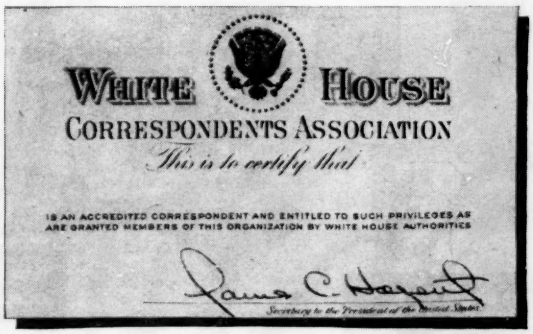
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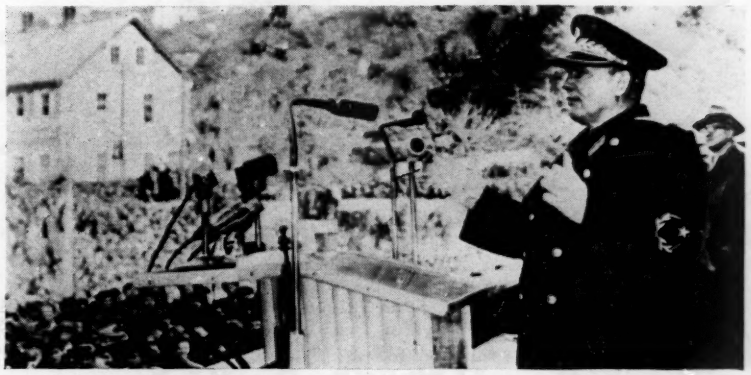

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"Tito, in trouble, isn't returning Yugoslavia to Moscow—but he isn't going all the way to the West, either."

Tito back to Moscow's side was made by the Rumanian Government that long ago. The Rumanians invited Yugoslav table-tennis champions to compete with teams of satellite countries in Bucharest.

The invitation came as a surprise to the Yugoslav public. Border incidents with neighboring Rumania had been so frequent up until then that there had been fears of a shooting war. For years, at Moscow's command, the satellite governments had treated the Yugoslav Communists as outcasts and enemies. Suddenly the long string of denunciations was interrupted by a friendly gesture.

The Yugoslavs accepted the invitation. The table-tennis players walked across a border that had long been closed to travelers and trade. Once inside Rumania, they were treated with eager courtesy.

After this opening, the Kremlin began an all-out campaign to win back Tito. Yugoslav writers, boxers, football players, musicians, dancers, singers and chess players all are in demand in the Iron Curtain countries now—often invited by the host governments to make expense-paid tours of the satellites.

Russian chess players, Hungarian soccer players and Bulgarian musicians visit Yugoslavia. All the satellite countries have followed Russia's lead by sending ambassadors to represent them in Belgrade.

Soviet praise. Russian newspapers no longer denounce Tito or his Government. Instead, they praise the Yugoslav Communists almost daily. Nobody ever speaks of the split between Tito and Stalin that led to the original break.

Last autumn the Moscow radio station, "Free Yugoslavia," which once devoted full time to broadcasting anti-Tito programs into Yugoslavia, suddenly went off the air—and stayed off. At the same time the Russians stopped jamming Belgrade's Russian-language broadcasts, aimed at Soviet listeners.

Students from Yugoslavia who were studying in Russia at the time of the 1948 break are being allowed to return to their Yugoslav homeland.

Belgrade bookstores are once again selling books in praise of the Soviet Union.

Soviet diplomacy goes right along with the trend. For years Russia opposed a Trieste settlement that would give Yugoslavia anything. But, when Trieste was divided last October between Italy and Yugoslavia, the Soviet Government not only failed to register its usual protests, it praised the agreement as contributing to "a lessening of international tension."

When asked whether Yugoslavia intended to join with Italy in planning defense of the area, a Belgrade official replied:

"There you go emphasizing military factors again. We do not believe this is the time to emphasize military factors. Doing so would be provocatory."

Uncertainty for West. Such talk bothers the military men who are trying to plug the last gap in the Western defense network that spreads from the Baltic to the Middle East. An airtight plugging of this gap requires joint military effort by Italy and Yugoslavia—and this simply doesn't exist.

Tito's new mood places all such military agreements in doubt. Although Tito publicly denies he has any thoughts of "neutrality" for Yugoslavia, many Western observers wonder whether he will be able to keep control of his rank-and-file Communists, who are subject to a press campaign that tends to give Moscow the benefits of all doubts.

Hardly anybody here feels that Tito will go so far as to turn Yugoslavia back into Moscow's empire. After all, Yugoslavia's farmers tried collective farming, Moscow style, and the workers tried a Moscow-type industrial organization, too. Neither succeeded in boosting farm or factory output. Both had to be abandoned as bad experiments.

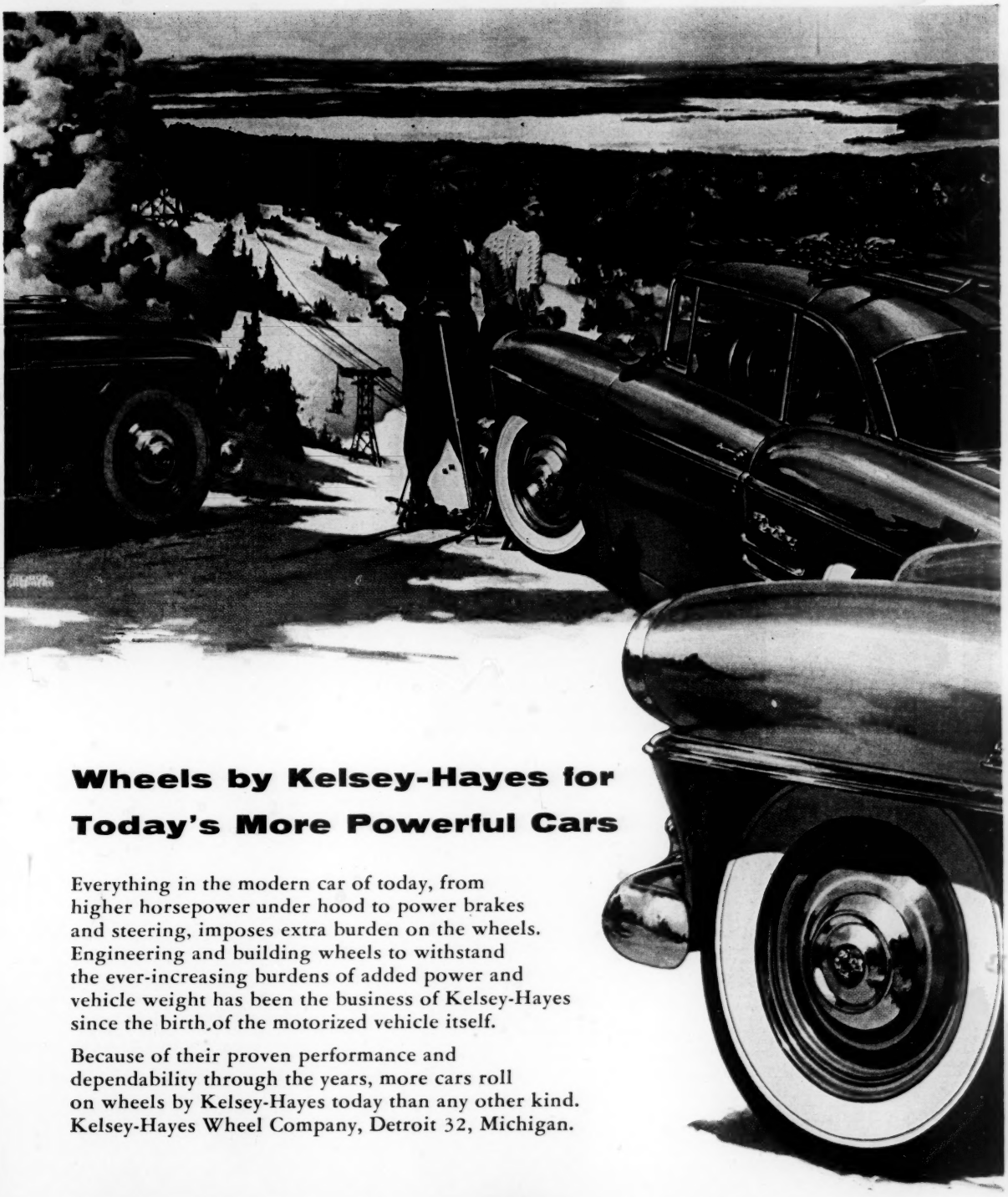
Also, Tito's 1948 break with Stalin was popular among Yugoslavs, both Communists and anti-Communists. Since then the people have learned through experience that an independent Yugoslavia could get free food, industrial goods, arms and credits from the West, while a Soviet satellite gets practically nothing from Moscow.

Tito is advocating an independent position that will permit him to keep the friendship of both sides in the cold war. The U. S., so far, is willing to go along with him—but so long as the Yugoslav Communists stick to their present role, airtight defense planning to meet possible aggression in this part of the world is not possible.

—International

AN ALLY OF UNCERTAIN FUTURE . . . . . . IS ARMED WITH AMERICAN TANKS

In Belgrade these days, kind words for Russia



Wheels by Kelsey-Hayes for Today's More Powerful Cars

Everything in the modern car of today, from higher horsepower under hood to power brakes and steering, imposes extra burden on the wheels. Engineering and building wheels to withstand the ever-increasing burdens of added power and vehicle weight has been the business of Kelsey-Hayes since the birth of the motorized vehicle itself.

Because of their proven performance and dependability through the years, more cars roll on wheels by Kelsey-Hayes today than any other kind. Kelsey-Hayes Wheel Company, Detroit 32, Michigan.

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Now Cutler-Hammer ★★★ Motor Control in NEMA Size 2 for motors up to 25 HP*

It is here . . . Cutler-Hammer ★★★ Motor Control for your larger motors, NEMA Size 2 Starters with the famous three stars on the Cutler-Hammer nameplate. The three stars that stand for three entirely new standards in motor control performance and value. Star #1: Installs easier. So much easier that installation savings often exceed the cost of the control. Star #2: Works better. So much better that this control often pays for itself many times over in just the production interruptions it avoids. Star #3: Lasts longer. So much longer that this control *never* needs maintenance care or expense in 90% of its uses. If you are one of the many users who have proved these are facts, not mere claims, you will welcome the news that your larger motors can now have this same control. Order Bulletin 9586, Size 2, today from your nearby Cutler-Hammer Authorized Distributor. He is stocked and ready to serve you. CUTLER-HAMMER, Inc., 1462 St. Paul Ave., Milwaukee 1, Wisconsin.

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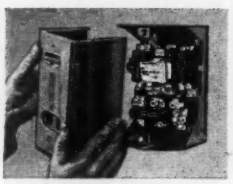
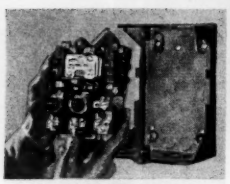
C-H



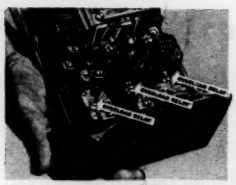
3-D Accessibility

Removing the wrap-around cover bares the entire starter for three-directional accessibility. It is wide open at front and both sides. You can see everything and reach anything. Wiring the starter is simplified and routine inspection is made so easy and complete nothing is ever neglected.



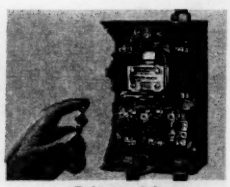
Unit Panel Construction

The entire starter mechanism can be removed from its case by simply loosening three screws. With mechanism out of the way, mounting case, connecting conduit and pulling wires is a cinch. A great time saver. No skinned knuckles. No damaged starter mechanisms.



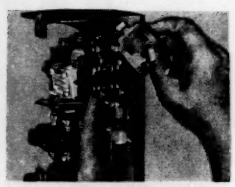
Full Three-Phase Protection

Only *three* overload relays can provide positive three-phase protection to stop needless motor burn-outs and production interruptions. And only Cutler-Hammer offers three overload relays in *standard* starters without the excessive costs and delays of special starter constructions.



Adjustable Sensing Coils

Only the accurate adjustment of overload protection permits motors to work harder without damage. Now more important than ever with newer type small frame motors. Only C-H offers adjustable load sensing coils . . . for 3% loading accuracy instead of the 10% to 12% in all other controls.

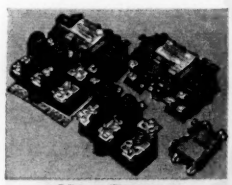


Superlife Vertical Contacts

Now the famous C-H dust-safe vertical contacts have been doubly improved. New light-weight design cuts bounce to reduce arcing. Also, arcing is now pressure-quenched. Contact maintenance care and costs are ended for all time in all normal motor control uses.

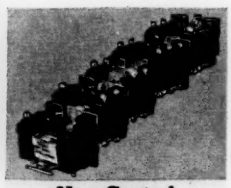
For Control Panel Designers

The new Cutler-Hammer ★★★ Motor Control offers an array of spectacular new features to provide many exclusive advantages in circuit planning, compact panel design, better motor protection and better control performance. Be sure you have complete design data on this advanced equipment. Write or wire today.



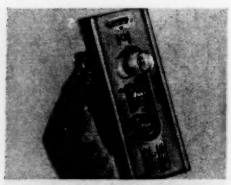
New Control Components

All parts of the new C-H ★★★ Starters in NEMA 0, 1 and 2 Sizes are available as components; also complete starters on convenient unit panels. Electrical interlocks are available to provide additional control circuits when desired.



New Control Relays

Finest of control relays. 10 and 15 Amp. 2-3-4-5-6 poles. All contacts instantly convertible from NO to NC or vice versa. NO or NC status seen at a glance without removing cover. New armored magnet coils color coded for voltage and frequency.



New SD & HD Pushbuttons

New standard duty pushbutton station with pilot light offers many exclusive features, typical of complete C-H line. Watch soon for announcement of the revolutionary new line of C-H heavy-duty oil-tight one-hole mounting pushbuttons.

IKE SETS HIS COURSE

Something for All If Congress Goes Along

There's hardly anybody who's not to get something from the Government if President Eisenhower's new program is enacted by Congress.

What the President proposes can be found in his state-of-the-union message, starting on page 92. What his program will mean is told here.

A Republican Administration, like Democratic Administrations before it, is taking the road that leads to bigger and bigger Government.

President Eisenhower, entering his third year in office, is asking a Democratic Congress to give something to nearly everybody.

If the President has his way—as it is being outlined in messages to Congress—Government will continue and will expand most of what it now is doing, while adding new things for more people. Welfare services will be increased.

There will be more federal aid for bigger and better highways. Local governments will get help in building schools.

New dams will be built, new irrigation projects started. A big development program in the Upper Colorado River basin and 36 other projects are specifically recommended, while additional "justifiable projects" are assured Administration support. A "comprehensive water-resources policy" is soon to be presented.

Minimum wages will be raised to 90 cents an hour. People on relief will get more health services. Widows and orphans of Government workers and men in military service will get survivors' benefits.

There'll be more pay for federal employes, members of the armed forces, judges and Congressmen.

People abroad also are promised continued aid from the U. S. Treasury. There is a recommendation, too, that tariffs be reduced, and that American capital flow more freely abroad under special inducements.

Lower taxes—for '56? Tax cuts will be put off, but are suggested for 1956.

While welfare services are being increased, defense forces will be cut down. In a letter to Charles E. Wilson, Secretary of Defense, the President takes his stand for a bigger Air Force but a smaller Army, with an over-all reduction of the number of men in uniform. Defense policy is to be geared to the idea of "instant retaliation"— after an enemy has struck the first blow.

Few groups, at home or abroad, are forgotten by the President.

Youths are offered the vote at the age of 18. The military draft will be extended, but the number of youths drafted will be cut by promises of higher pay and more benefits for those who volunteer.

Farmers are promised continued price supports, although on a flexible basis. Bigger drought relief is proposed. Special measures are being drawn up to aid small farmers with low incomes.

Unions get the offer of some changes in the Taft-Hartley Act. The Small Business Act is to be extended to help small business. Low-income groups are assured that public housing will go on at a rate of 35,000 new housing units a year.

Spreading the benefits. A new staff section is to be set up in the White House to co-ordinate the vast programs of public works that are to take shape.

(Continued on page 46)

WHAT MR. EISENHOWER WANTS CONGRESS TO DO

• *For the world:*

Vote new billions in foreign aid.
Open the way to lower tariffs.
Support and strengthen the United Nations.
Encourage flow of capital abroad.

• *To defend the U.S.:*

Emphasize development of air power.
Prepare to strike back hard if attacked.
Cut military manpower to 3 million by July 1; to 2.85 million in 1956.
Continue power to draft for 2 years' service.
Build up big military reserve.
Make professional military service more attractive.
Go on stockpiling strategic materials.

• *To develop the country:*

Approve big new plans for highway building.
Push Government-private partnership in developing resources.
Go ahead with federal development of big projects.
Help localities build schools.

• *To protect the dollar:*

Avoid new tax cuts in 1955.
Make progress toward budget balancing.
Consider tax cuts in 1956.

• *For the people:*

Raise minimum wage to 90 cents an hour.
Keep flexible price supports for farmers.
Revise laws governing labor relations.
Go ahead with public housing.
Provide a plan for federal health reinsurance.
Give more health protection to people on relief.
Give the vote to 18-year-olds.
Provide statehood for Hawaii, not for Alaska.

• *For those in Government:*

Give pay raises for Civil Service workers.
Raise military pay.
Give more pay to postal workers, raise postal rates.
Increase salaries of judges, members of Congress.
Bring federal workers and military under old-age and survivors insurance program.

There is to be a federal program of health reinsurance—although outright socialization of medicine is rejected.

Parents are told that the Federal Government will take an interest in the problem of juvenile delinquency.

Art is not overlooked. A Federal Advisory Commission is proposed to "encourage artistic endeavor and appreciation." Awards are to be given to outstanding leaders in fields of art.

In foreign relations, the program of defensive alliances against Communism is to be continued, with a rearmed Western Germany being brought into the worldwide system. Support is promised for the United Nations, and efforts toward international arms limitations are encouraged.

A willingness is expressed to negotiate with other nations whenever such negotiations offer hope of a "just and secure peace."

Against Communism at home, a promise to "continue to ferret out and to destroy Communist subversion" is linked with a pledge to "carefully preserve our traditions and the basic rights of every citizen."

To the Democrats, who will control the Congress that is asked to provide all these things, President Eisenhower offers "assurances of unreserved co-operation" on the part of his Republican Administration.

Pleasant prospects. And to all the people, the President holds out bright prospects for two things that everybody favors—peace and prosperity.

For the first time since he took office, Mr. Eisenhower is able to lay his program before Congress at a time when there is no armed conflict anywhere in the world. "It is, to be sure, an insecure peace," he concedes in his state of the union message to Congress—"a form of world stalemate." But he says:

"In the past year, there has been progress justifying hope for the ultimate rule of freedom and justice in the world. Free nations are collectively stronger than at any time in recent years."

To businessmen and wage earners, Mr. Eisenhower is able to report that "1954 was one of the most prosperous years in our history . . . Production is rising. Employment is high . . . The transition to a peacetime economy is largely behind us. The economic outlook is good."

For the future, he holds out the prospect of an increase in the annual national output from 360 billion dollars to 500 billion within 10 years.

—United Press

SENATORS CLEMENTS, GEORGE, JOHNSON, HENNINGS
To Democratic leaders, the program was vaguely familiar

To protect this prosperity, Mr. Eisenhower is designing a system of national defense that, in his view, the nation can afford.

Defense costs, the President told Secretary Wilson, "must not become such an intolerable burden as to occasion loss of civilian morale . . . To build excessively under the impulse of fear could, in the long run, defeat our purposes by damaging the growth of our economy and eventually forcing it into regimented controls."

Cut for armed forces. The defense plan that Mr. Eisenhower is presenting to Congress reflects this reasoning. It contemplates a reduction of the armed forces—now totaling 3.2 million—to a total of 3 million men by July 1, 1955, and to about 2.85 million in 1956. The cuts, however, would be made in the

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Army. The Air Force, now at 961,000 men, would be expanded to 975,000.

"We should base our security upon military formations which make maximum use of science and technology in order to minimize numbers in men," is the way the President explains his strategy.

To back up the reduced Army, a new Reserve program is proposed to provide a pool of militarily trained civilians ready for instant call if needed.

Details of Mr. Eisenhower's program are yet to emerge from a series of messages to be spread over several weeks. But the direction that his Administration is taking can be seen. The direction is toward increasing Government services for increasing numbers of people.

What this means is that Government is going to get bigger, not smaller. This Administration, like its Democratic predecessors, is going to continue to assume a large share of responsibility for everything that affects the lives of the citizens. It will use its powers to keep business good—and to provide jobs when business goes bad. Spending for public works will remain heavy, and will increase if considered necessary to take up a slack in business. Defense costs will remain big. Social-welfare services will continue to grow.

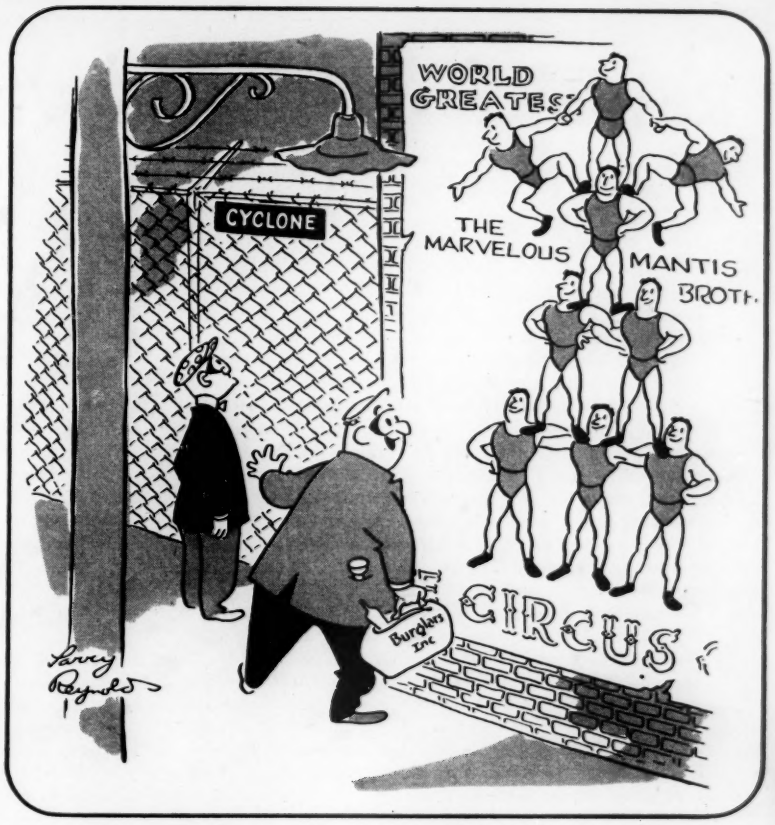
Taxes, therefore, can be expected to remain relatively high. Balancing the budget remains secondary to the over-all objective of keeping the nation's economy moving.

Borrowed plans? To the Democratic veterans who are returning to control of Congress, all this has a vaguely familiar ring. Some of the programs that the Republican President is asking them to expand were initiated under Democratic Presidents Roosevelt and Truman.

How much of Mr. Eisenhower's program will be endorsed and enacted by the Democratic majority in Congress remains to be seen. But already some Democrats are being heard to wonder how they could refuse to go along with some of the proposals that they claim are borrowed from previous Democratic Administrations.

A few Democrats read into Mr. Eisenhower's program an announcement of his intention to run for re-election in 1956. And one Democrat in Congress observed that "it sounded very much" as if Mr. Eisenhower intends to run "on both tickets, the Democratic and Republican."

For the full text of President Eisenhower's state-of-the-union message to Congress, see page 92; the plans of a Democratic Senator who will have much to say on the President's tax and spending program, page 56; impact of the message on labor, page 89.



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UNITED STATES STEEL

Russia Can Be Beaten Without A-Bomb

by HANSON W. BALDWIN

Military Editor of the *New York Times*

The 84th Congress will debate vital issues of military policy and national security.

Two paramount concepts apparently will influence this debate, as they have already influenced this nation's military and foreign policies.

These concepts are approaching the dimensions of dangerous shibboleths. If accepted by the majority of Congress and the majority of the public, they could weaken fatally: (a) the nation's foreign policy and its "position of strength" in dealing with Soviet Russia; and (b) its chances for any real victory; indeed, its chances for survival in any shooting war.

These two shibboleths, which have already had a sometimes paralyzing influence upon United States action and upon its strategic thought, are:

That there is nothing worse than an atomic war.

That the United States cannot defeat the Soviet Union without utilizing atomic weapons.

The influence of the first of these upon security policies is obvious. If the majority of the nation and Congress become convinced that there is nothing worse than atomic war (or, to delimit it, war itself) then obviously Communist aggressions are freed from the restraint of fear that now to some extent inhibits them.

Hitler and the other dictators played upon this very fear of war and the pacifistic tendencies of the Western democracies prior to World War II. And this psychological shrinking from war as "the worst of all evils" helped the dictators to move, without effective opposition, into the position of strength that eventually, and inevitably, resulted in the bloodiest war in history.

The way to avert war is not by recoiling too much from it. If this country accepts psychologically the dictum that there is nothing worse than war, it has given Georgi M. Malenkov, Soviet Premier, all the aces in a game for great stakes—the struggle for the world.

The nation's fear of atomic war, enhanced, and with good reason, by the frightful pictures the scientists and airmen paint, can so inhibit the actions of government in crisis as to cripple the first line of defense—diplomacy.

This factor undoubtedly had some influences upon United States policies during part of the Korean war, and particularly during the Indo-China crisis last year. Now that Russia is acquiring more and more of an atomic stockpile, it may have a more and more crippling effect. If this nation wishes to remain free, it will have to take risks—even the risk of war.

There are things even worse than atomic war. The brutalization of the body, the slow degradation and corruption of the mind, the tortured twisting of the soul and personality that are the results of Communist brain washing and the inevitable, moral, mental, spiritual and physical decline of a nation that puts peace before principles are far worse than atomic war.

Atomic war might mean swifth death; the other represents slow but certain death of more than the physical man.

The second shibboleth, that this nation and its allies cannot defeat Russia without using atomic weapons, is equally dangerous. If it finds general acceptance among United States statesmen and military leaders, this country is committed to an inflexible strategy, and it adds to the influence of those who hold there is nothing worse than atomic war. For the United States then confronts a terrible dilemma; it says, on the one hand, that if Russia commits aggression, it cannot win at all unless it uses atomic weapons, but if it does use them it is better not to fight at all, for there is nothing worse than an atomic war. The one shibboleth thus reinforces the other.

The atomic-strategy concept has found a dangerous acceptance among United States diplomats—the policy of massive retaliation is in a sense a by-product of this—and an increasingly dangerous one among military men of all services.

This acceptance is based, in part, upon the limitations of military thinking—that any weapon, once invented, will be used; that there is no moral difference between weapons; that military victory as quickly and as cheaply as possible is the fundamental aim of war; that Communism has such tremendous land armies that victory without atomic weapons is impossible.

They are based, too, on the belief that the Soviet Union will use atomic weapons—which is unlikely as long as this country retains its lead in nuclear arms and in the ability to deliver them.

These views neglect the political, moral and psychological objectives of any war—without which wars are meaningless slaughter. They neglect the fact that global atomic devastation would lead to the ultimate triumph of Communism, or some other extremism, not to its extinction. And they sell the United States short. For, not only does atomic war mean, henceforth, atomic devastation for the United States and its allies as well as for the Communist states, but these views also underemphasize the tremendous physical potential of this nation in conventional arms.

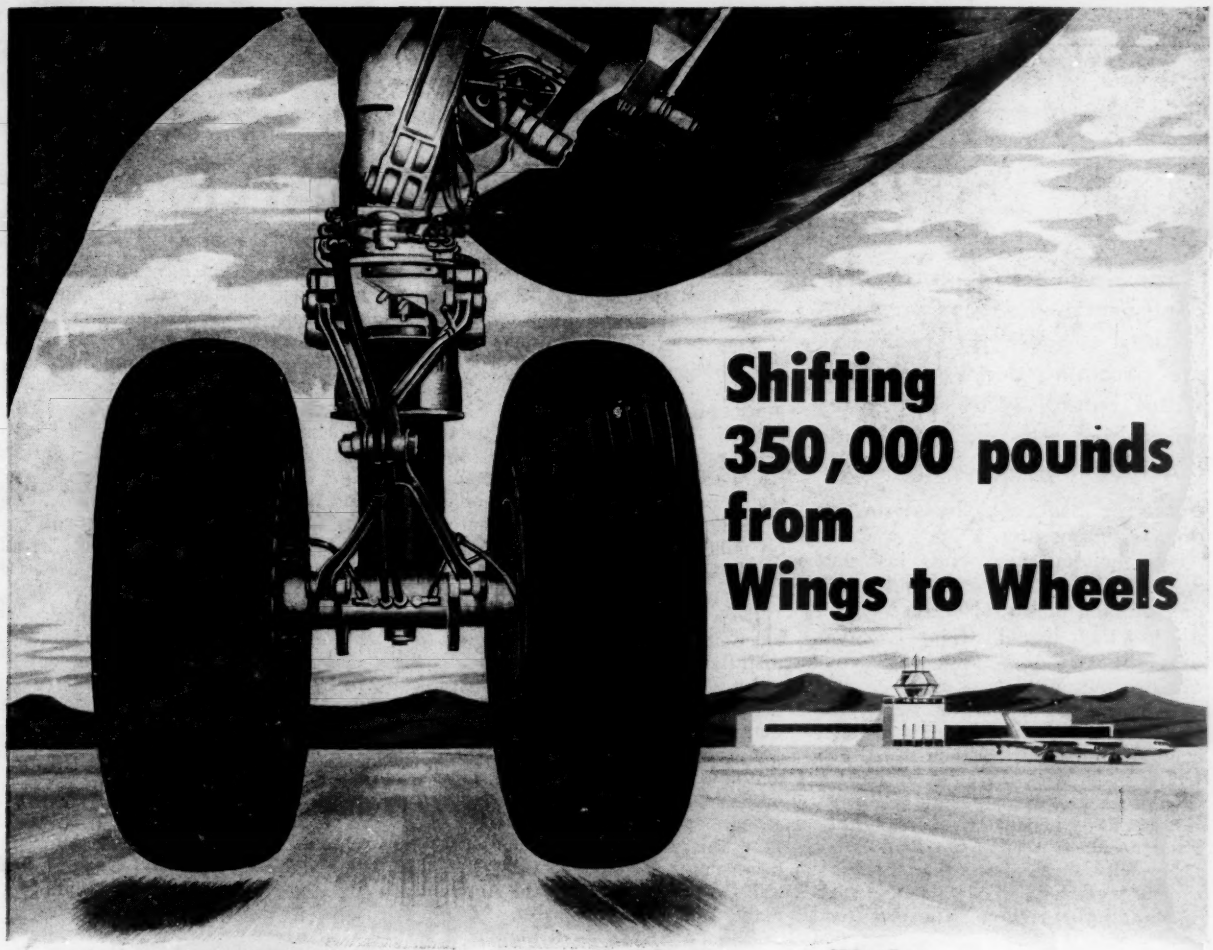
The Soviet Union and its satellites can be defeated today and in the immediately foreseeable future by the United States and its allies without the use of any form of atomic weapons.

This statement must, of course, be qualified.

It is true only if: the West does not attempt to fight an unlimited, unconditional-surrender type of war; it does not attempt a deep land penetration of Russia; it establishes reasonable political objectives rather than mere military victory as the war objective; it does fight a peripheral war; it is willing to fight, if necessary, a long war.

But if this nation and its allies do fulfill these conditions and are not the prisoners of their own limitations, they can defeat Russia without employing atomic weapons.

Reprinted from the "New York Times."



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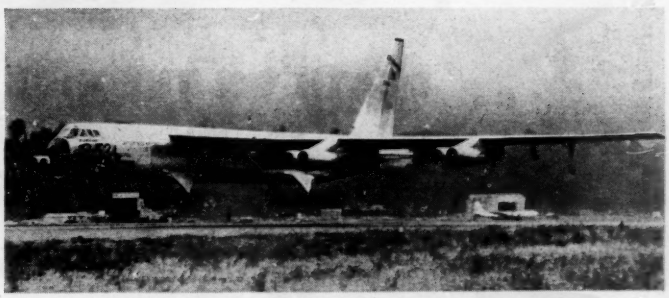

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It's Hard to Believe, but—

DRIVING IS GETTING SAFER

The death toll of traffic accidents over the holidays was high. Reports suggest the highways are becoming death traps.

But careful study of figures going back over the years leads to a much happier conclusion.

Driving, gauged by long-term records, is getting safer.

The holiday week ends just past were bad spots on an otherwise encouraging picture. Nearly 700 people lost their lives in traffic accidents over the two three-day week ends of Christmas and New Year's.

But these celebrations are not typical of year-round driving conditions. They come when roads are at their worst. Festivities make some drivers more reckless than usual.

Other 1954 holidays were less deadly. Fatal accidents during the long Labor Day week end were fewer than the safety experts predicted.

What figures show. The real trend shows up in the annual figures compiled by the National Safety Council. These go back for many years. They place 1954 as the best year since 1950 and a good deal better than some prewar years.

Number of deaths in traffic accidents is estimated at 36,500 for all of last year. That compares with 38,300 in 1953 and a peak of 39,969 in 1941.

Over a longer period, the record is even more impressive. In 1935 there were about 26 million registered cars, trucks and buses, and 36,369 people died in collisions. Now there are more than 58 million vehicles, and the number of deaths is little greater than it was 20 years ago.

Does this mean your chances of being killed in any given motor trip are less than they used to be? The records of the Safety Council seem to answer that question with a resounding "yes." You see that in the chart on this page.

For any given amount of travel by motor vehicle, the number of deaths is much less than half what it was in the 1930s and is dropping steadily.

If this improvement continues, the death rate will be only 3 per 100 million miles of driving by 1964, the Automotive Safety Foundation estimates.

Effect of speed. Cars are moving faster over the roads, according to Government studies, but increased speed hasn't been reflected in accident figures the way many people feared. Average speed on interstate highways is given as 44 miles per hour in 1946 and 52 miles per hour in 1953. Thus speed increased 18 per cent. Death rate went down 28 per cent in that period.

Offsetting speed are new safety features in cars, better roads in many places, and better driving.

Cars are being equipped with faster brakes, automatic turn signals, tires that rarely blow out and lights and windows that give better vision.

Courses in driving are being offered by more than one fourth of the high schools. Officials are cracking down on recklessness. Eighteen States have legalized chemical tests to catch drunken drivers. Radar traps are being used to get speeders. Point systems are applied to chronic offenders to deprive them of licenses.

Modernizing the highway system, as planned by the Eisenhower Administration, is calculated to reduce traffic deaths by 5,000 or 6,000 a year, according to one authority.

The records show all these efforts already are making driving safer.

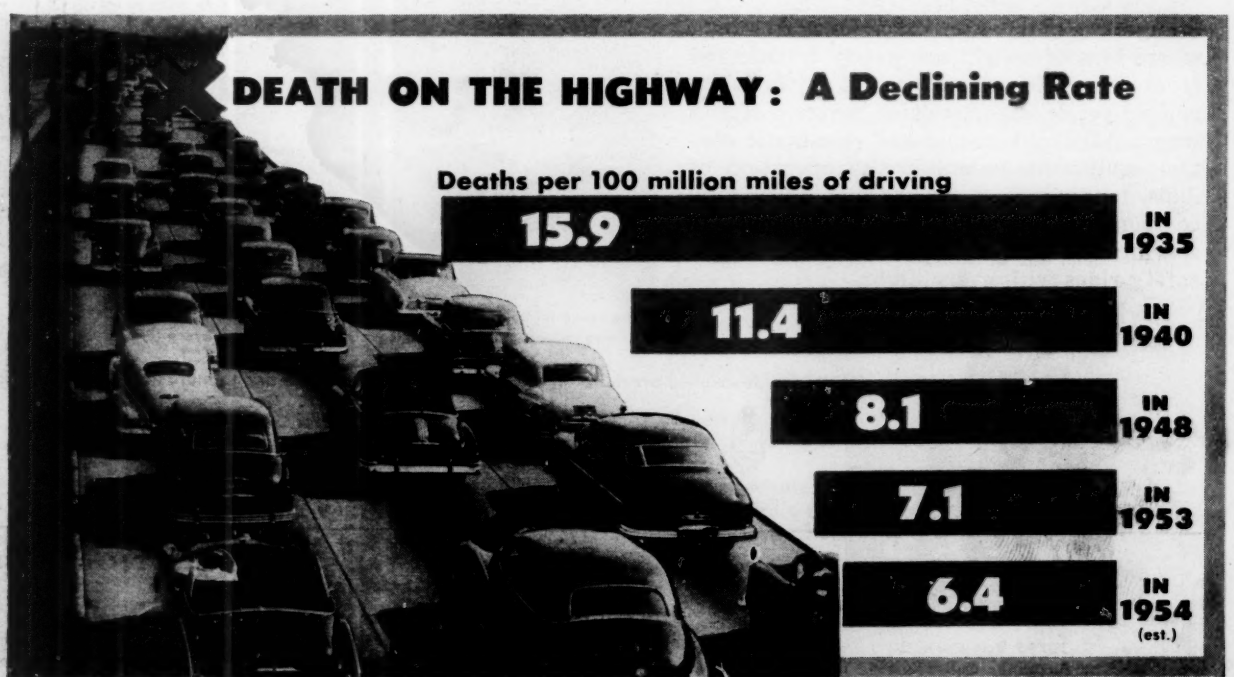

Photo: Ewing Galloway

Source: 1935-53, National Safety Council; 1954 estimates, Automotive Safety Foundation

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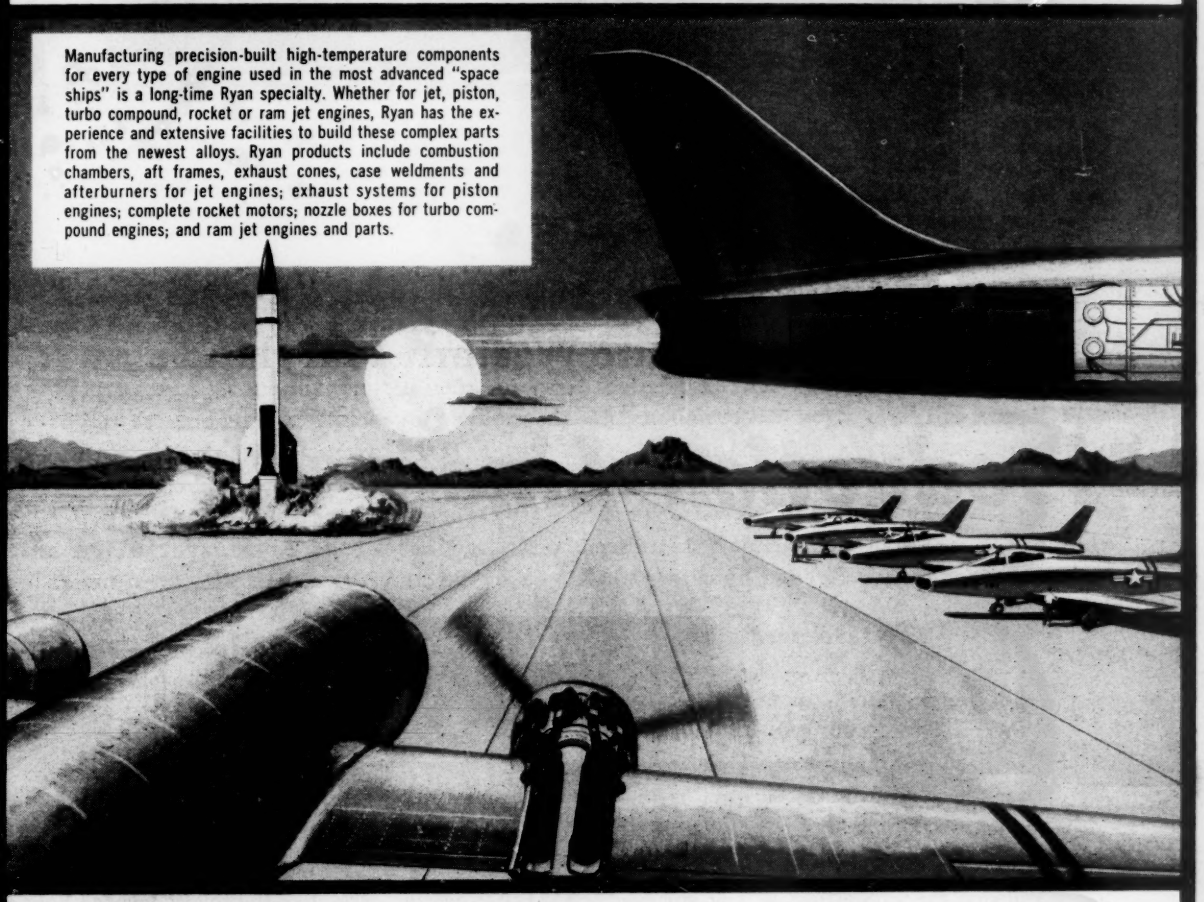

Another Example of How

RYAN BUILDS BETTER

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Ryan's long and outstanding success as a designer and volume producer of aircraft and aeronautical products has been based on the ability to blend experience, skilled manpower and modern manufacturing methods into products supreme in quality, efficiently produced, delivered on time, and followed up by competent "after sale" service.

For 32 years Ryan has been in the forefront of aeronautical progress. It is uniquely equipped to solve the challenging research, engineering and production tasks associated with building, for America, the world's finest aircraft.

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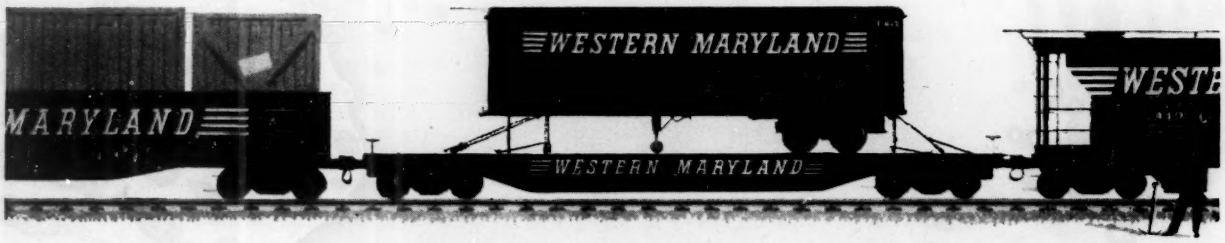
METALLURGICAL ENGINEERING	WEAPONS SYSTEMS			ROCKET MOTORS & RAM JETS	AIRCRAFT EXHAUST & DUCTING SYSTEMS

New Tools

put new speed into Western Maryland's

"Production Line"



On a railway, the whole road is a *production* line. It turns out transportation; and the *kind* of transportation depends on the kinds of *tools* it employs.

The WM is tooled up for modern output:

Its diesel engines are late-model, powerful high-speed production units.

Its Coded Track Circuits apply principles of *automation* to heavily traveled stretches of WM right-of-way.

Western Maryland's modern car fleet with its new roller-bearing cars—like the road's covered hoppers and dropped-center gondolas—are parts of an up-to-date conveyor system.

So, as you—or any forward-looking production man—can see, freight from the rails of connecting roads becomes "raw material" for processing on WM's high-speed production line.

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WESTERN MARYLAND RAILWAY —*Short Cut for Fast Freight*

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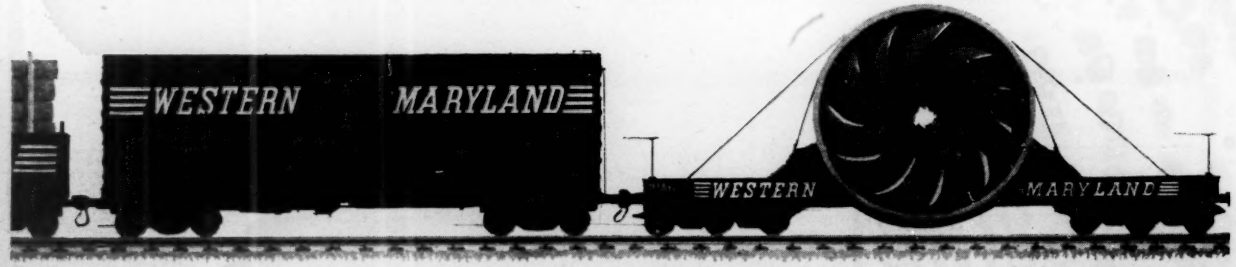

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HONG KONG....NEW DELHI....PARIS....PANAMA CITY....

>> To understand how people in Asia interpret the visit to Peiping of Dag Hammarskjold, Secretary General of the United Nations.....

U.N. and U.S. are seen to be on the spot, not Communist China.

U.N. has been put in the position of coming to Peiping, hat in hand, to beg a favor of Communist China--a Government which has been kept outside the U.N.

U.S., Peiping wants all Asians to know, can safely be kicked around.

To Communist leaders in Peiping this special trip by a high dignitary of the U.N. provides a rare opportunity to hammer away at the U.S. at a moment when the world is sure to be listening. The Communist propaganda against Formosa is stepped up. The claim for admission to U.N. is argued again by Peiping's friends.

>> Plight of the U.S. airmen jailed by the Chinese Communists as alleged spies, meanwhile, interests Asians relatively little, stirs little sympathy.

U.S., for one thing, is suspect in Asia. It's a big Western power.

U.S. airmen, in any case, are assumed by many Asians to be guilty. Asians hear the Communist story, it appeals to Asian prejudices, and they believe it.

The issues of international law involved in the treatment of prisoners of war are not widely understood in Asia, nor do they interest many people there.

>> Premier Nehru of India offers a glimpse of the attitude of much of Asia toward the U.S. airmen and the Hammarskjold mission.

First, Nehru called the mission "unfortunate."

Later, after letting Hammarskjold cool his heels for 19 hours in New Delhi before seeing him, Nehru said the trip might do some good, after all.

Nehru's real attitude seemed to be revealed by what he said earlier, and by what Indian newspapers close to Nehru keep saying.

As Nehru sees it: The U.N. has ignored the "facts." The U.S. airmen were not shot down in Korea, and were not in uniform. In any case, why did the U.N. allow thousands of Chinese Communists captured by U.N. forces in Korea to be sent to Formosa? And, anyway, isn't it more important to admit Communist China into the U.N.? Nehru thinks this issue far more important than the U.S. airmen.

India's press, especially the part of it friendly to Nehru, is taking much the same line. Leading newspapers assume the U.S. airmen to be guilty as spies. Dag Hammarskjold, according to the "Hindustan Times" of New Delhi, Nehru's favorite Indian newspaper, is criticized as "too Dulles-minded."

In this showdown, Nehru's neutrality appears to favor Communist China.

>> While U.S. leaders look for ways to shore up Southeast Asia against attack by Communists, and talk about bigger and better economic aid to Asia.....

(over)

Asian leaders, including Premier Nehru, increasingly oppose U.S. ideas.

Manila Pact, a U.S.-sponsored plan for mutual defense in Southeast Asia, is denounced by Nehru and top men in other South Asian capitals.

Soviet investments are getting a welcome in India.

Western ideas are to be combated by a new combination of 30 Asian and African governments--if Nehru and his colleagues can get the 30 together.

>> It's questionable whether this proposed group of 30 Afro-Asian governments will get very far. Many of them, such as Japan in the Far East and Iran in the Middle East, have economic and political ties with the West. Among themselves, the 30 have deep-seated rivalries and conflicting national ambitions.

As a military combine, the 30 do not amount to very much.

For propaganda purposes, however, they can be an annoying gadfly to U.S. and Britain. Most of the 30 are nonwhite, anticolonial, and have old scores to settle with the big powers of Europe. In total, the 30 governments represent about half the world's population. They can make a good deal of noise.

>> In Paris, the French Communists have a problem.

They see trouble ahead for the Communist Party, trouble being cooked up by Premier Mendès-France. And the Communists don't know how to stop it.

The French Cabinet has just decided to seek a change in the electoral law.

Under present law, Frenchmen vote for national parties, not personalities. Local issues mean little. That helps big, disciplined parties that can get out the vote. In France it helps the Communists. They helped write the law in 1946.

Under the Mendès-France plan, France will go back to the prewar system. Deputies to the Assembly will be elected as individuals in local elections. Local issues, local candidates will have the edge. That will hurt the Communists.

Catch is that the present Assembly, elected under the old law, may be reluctant to change the ground rules. But the Communists are worried.

>> Panama's political troubles concern U.S. officials for this reason:

The Panama Canal is a vital facility in U.S. defense strategy. U.S. forces in and near the area, however, are small. So a stable, pro-U.S. Government in Panama City is doubly important to U.S. defense.

President Remón, before his assassination, kept Panama stable and pro-U.S.

Uncertainty now is whether the new Government will pan out as well, whether President Guizado has the political skill and strength that Remón had.

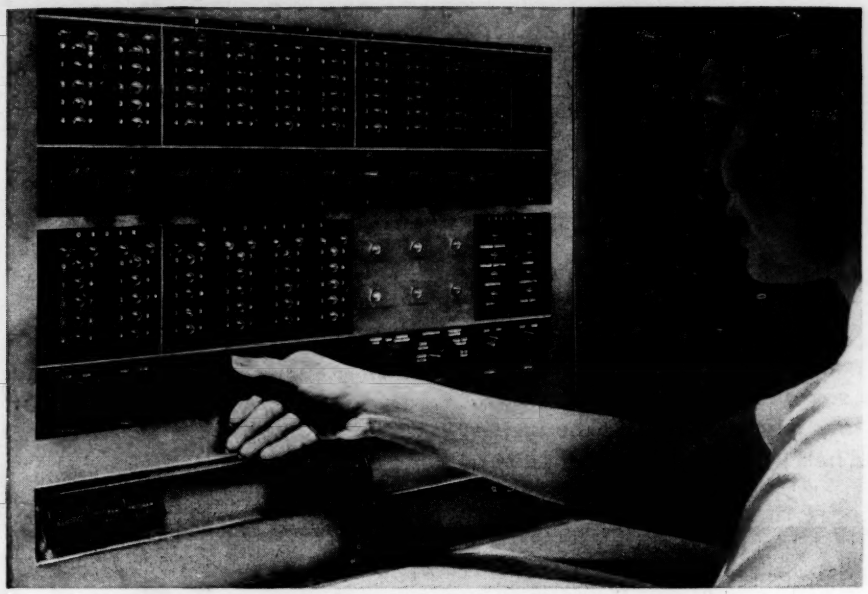
>> There's no question that President Guizado personally favors friendship with the U.S. and wants to build up Panama's economy with U.S. assistance. He pushed these policies vigorously as foreign minister under Remón.

But he has two problems to worry about.

Unemployment is one of these problems. Retail business in Panama has been slow. Many Panamanians working in the Canal Zone have lost their jobs because of U.S.-ordered economies. Jobless total of 30,000, in little Panama, looks big.

Communists are Guizado's other worry. Communists thrive on unemployment.

As a political party, Communism is illegal now in Panama. So the Communists have gone underground. There is evidence, however, that they are working quietly among students and urban workers. The danger is that, with Remón's firm hand gone, the Communists will operate more boldly, especially among the jobless.



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THE MAN . . Senator Byrd **THE NEWS** . . No Tax Cut

A Powerful Democrat Goes With Ike—Just So Far

Senator Byrd, Virginia economizer, will have much to say about your future tax bills. He's against any more cuts till the budget is balanced—and he's in a new position of power.

–USN&WR Photo

SENATOR HARRY F. BYRD is taking over one of the most powerful and, to businessmen and taxpayers generally, one of the most important jobs in the new Congress.

Mr. Byrd, a Virginia Democrat, is chairman of the Senate Finance Committee and the man who now must be consulted when financial policies are formulated.

All revenue legislation, tax, tariff, Social Security, public-debt measures, after originating in the House, go to Mr. Byrd's Committee for approval or amendment before they reach the Senate floor. A committee chairman's power to block or change legislation he dislikes is traditional.

On matters of Government finance, the Virginia Senator, a newspaper publisher and large-scale apple grower, has his own well-developed ideas. They center first of all upon a balanced budget, an end to deficit spending. That remains his primary objective.

And, he says, there is only one way to balance the budget: by an alert cutting of unnecessary expenditures. He does not agree with those who think that tax cuts can provide an increased total of tax collections by stimulating business and industrial activity. All this has a direct meaning for businessmen and taxpayers.

Opposition to tax cuts. In the period ahead, Senator Byrd will be standing resolutely in the way of any further federal tax reductions, such as are being urged by some of his fellow Democrats.

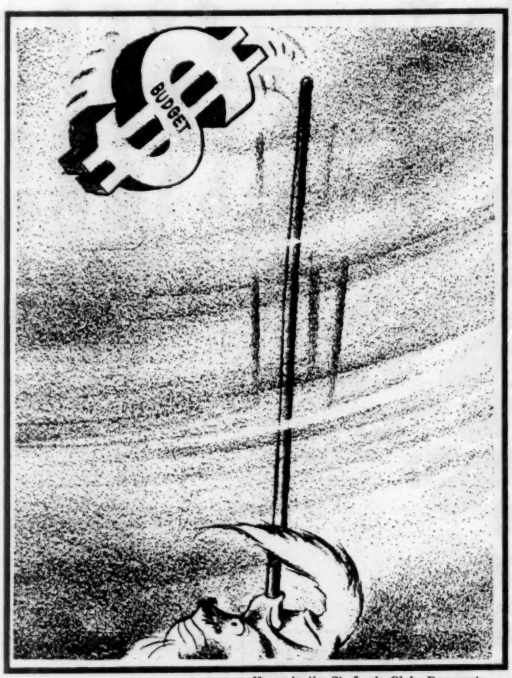
With characteristic frankness, the Senator says he will oppose any increase in personal exemptions, a method of income tax cutting felt particularly in the lower brackets.

In addition, he wants the top-bracket tax on corporation income continued at 52 per cent. It is scheduled to fall to 47 per cent on April 1, unless there is action to continue it at the present rate.

The Senator also is opposed to reductions in excise taxes on tobacco, liquor, gasoline—also scheduled to take place April 1.

Of importance to investors, Senator Byrd has no plans for rescinding the reduction of taxes on dividend income voted last year. Some Democratic leaders are urging a repealer, but the Senator does not want to go into the question "at this time."

On these questions, Senator Byrd and the Administration are in agreement. The Senator also is ready to push through the extension of the reciprocal-trade program asked by the White House. In fact, President Eisenhower, on numerous issues, is to find a stanch friend in the Democratic chairman of the pivotal Finance Committee. There are limits, however, and one of them is the size of the national debt.



–Hesse in the St. Louis Globe-Democrat

"TOUGH TRICK IN THE INTERNATIONAL WIND"

Debt limit—how high? The debt now is approaching 279 billion dollars. Congress has fixed a ceiling of 281 billion, temporarily, but this limitation reverts to its old level of 275 billion on June 30. With the big spring tax-collection period ahead, fiscal experts say the Treasury will have no difficulty reducing the debt to the prescribed level by that time.

But soon after June 30, the Government will have to go borrowing again, pushing the debt above the 275-billion-dollar ceiling. Consequently, it is expected that the Treasury will have to come to Congress to request another temporary rise in the debt ceiling. It will run into formidable opposition from Senator Byrd.

Once before, in mid-1953, the Virginia Senator was instrumental in blocking an increase in the debt limit, forcing the Treasury into some unusual penny-pinching economies and stopping some of its contemplated borrowing. Mr. Byrd chuckles as he recalls that the

(Continued on page 58)

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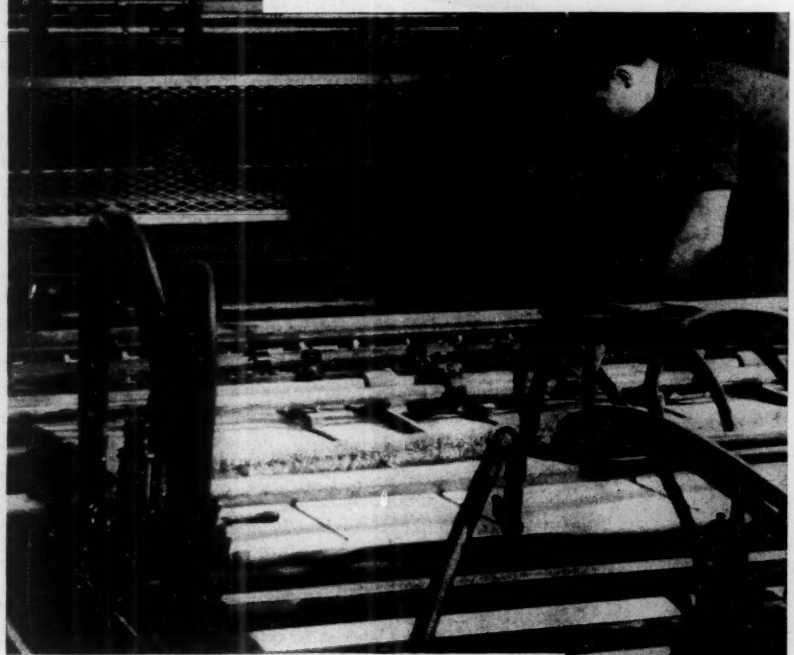

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Mr. Byrd started cutting costs when he was 15 . . .

Treasury managed to get through this difficult period. And he thinks that, with proper economies, it could do it again. However, if it is shown to be absolutely necessary, he might acquiesce in another temporary increase.

Meanwhile, the Senator is clamoring for spending cuts. He deplores an Administration announcement that there is no prospect for a balanced budget in the fiscal year beginning next July 1. He would like to eliminate economic aid to other countries. In addition, he thinks costs, up and down the line, can be cut.

The Virginian. Mr. Byrd has had his own personal experience with cost cutting. Economy long ago became a part of his make-up. His father left him a distinguished Virginia name, but little else. At 15, he was called away from school to take over his father's newspaper, the Winchester *Star*.

The paper seemed headed for bankruptcy. But the young Mr. Byrd rigorously trimmed expenses, energetically sought advertising, until the *Star* was on a paying basis. Gradually, he branched out. A second newspaper, in Harrisonburg, was purchased. He leased an apple orchard and expanded until now he is considered the biggest apple grower in the country. As a farmer, Mr. Byrd never has accepted soil-conservation payments or bought Government fertilizer at cut-rate prices.

Newspaper activity also led into politics. Mr. Byrd served in the State Senate for more than a decade and then was elected Governor on an economy platform that was scrupulously carried out. He found the State with a deficit, left it with a surplus.

Meanwhile, he became leader of a powerful State-wide political organization. Its basis is the countryside, the conservative Virginia farmers and county-courthouse organizations. By comparison with city organizations, it is uniquely genteel. And it is so strong that it is seldom challenged, almost never beaten.

Mr. Byrd entered the Senate, by appointment, on March 4, 1933, the day the New Deal came to Washington. He was quick to disassociate himself from the New Dealers. The free spending of President Roosevelt brought an almost complete break with the White House that carried over into the Truman Administration.

The Senator became a power within the more "conservative" bloc of Southern Democrats who often teamed with Republicans to upset White House plans.

In 1952, Senator Byrd made another break. In a State-wide broadcast, he

. . . Despite fights, Senator is on good terms with Ike

spoke out against the election of Adlai E. Stevenson, the Democratic presidential nominee. Dwight D. Eisenhower's name was not mentioned. Other leaders of the Byrd organization had backed Mr. Stevenson. Virginia's electoral votes went to General Eisenhower.

Support for Administration. With few exceptions, Senator Byrd has supported the proposals of the Eisenhower Administration. In fact, the White House once wrote him a letter thanking him for his help. The first session of the 83d Congress, however, began and ended with the Senator and the Administration at odds. At the outset, Mr. Byrd sternly demanded that businessmen nominated to

—USN&WR Photo

SENATOR BYRD LISTENS . . .
On finances, Senators listen to him

high places in the Government divest themselves of their security holdings. The session ended in the row over raising the debt limit.

The Virginia Senator, a cheerful and agreeable man, remains on good terms with the President even though he now is accusing the Chief Executive of breaking a campaign promise to balance the budget.

"In the third year of his Administration," Senator Byrd says, "it is time that he fulfilled his campaign pledge."

When the budget is brought into balance, then the Senator will be ready to discuss, or urge, a reduction in taxes. But, until that balance is reached, Mr. Byrd, as chairman of the Finance Committee, stands ready to use all of his great power to prevent any cut in federal levies.

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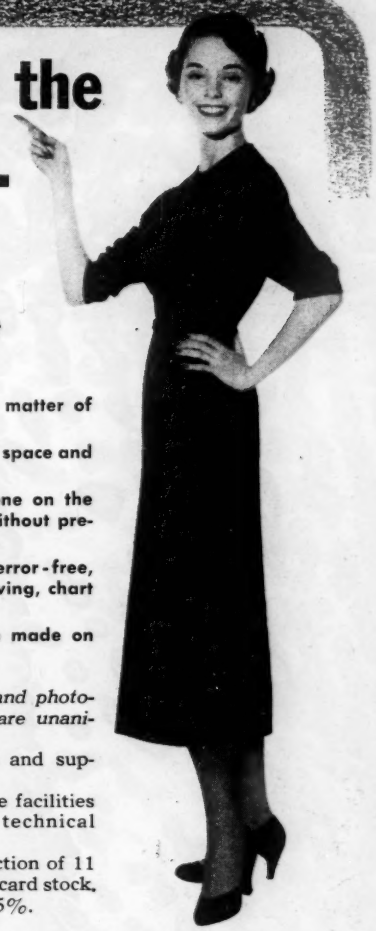

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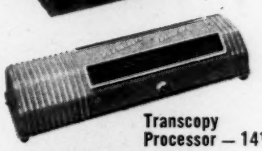

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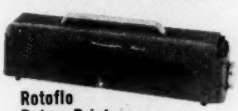

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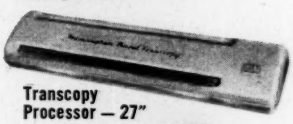

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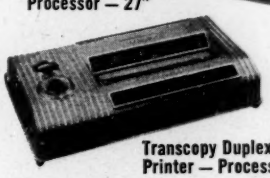

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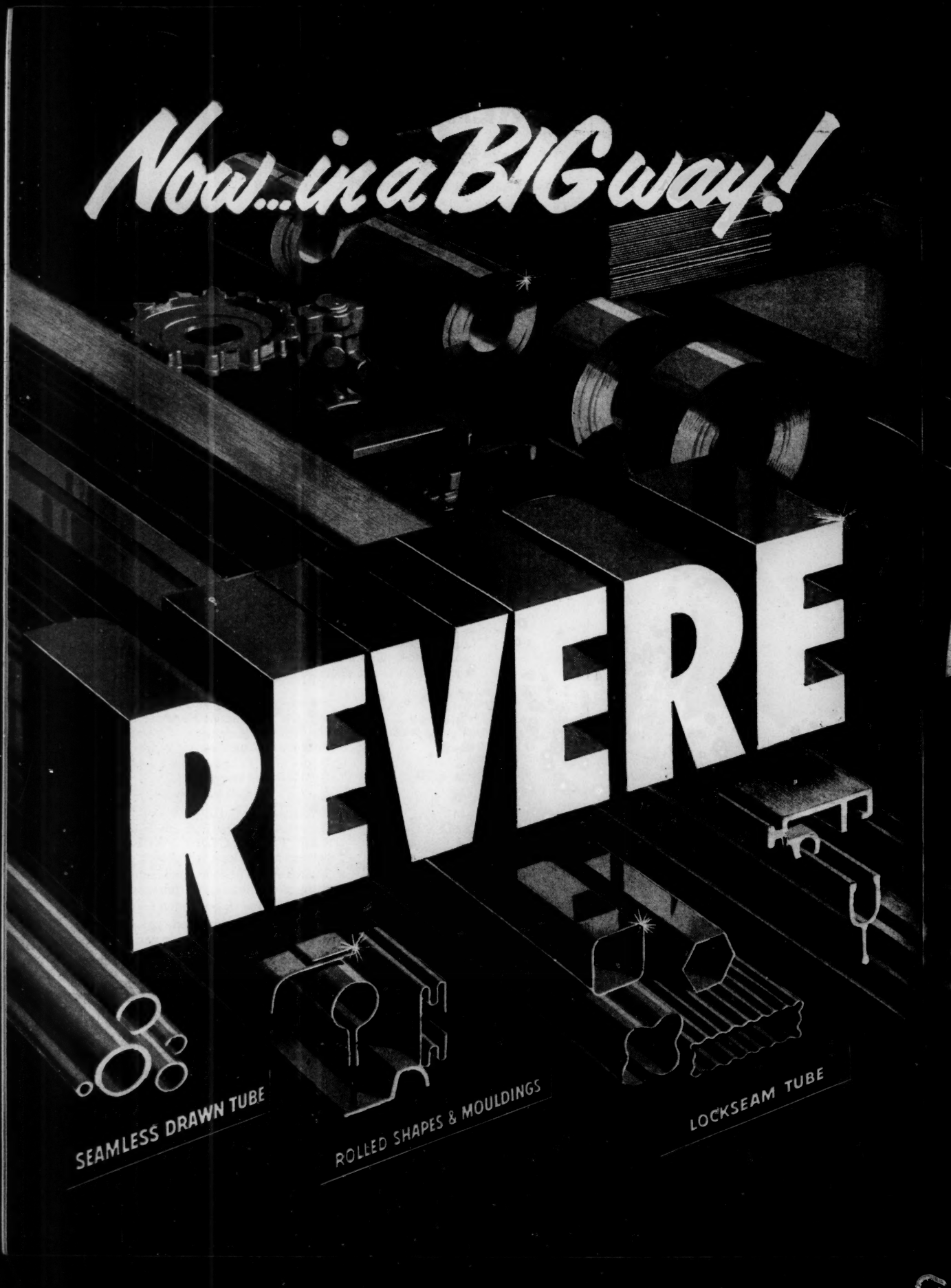
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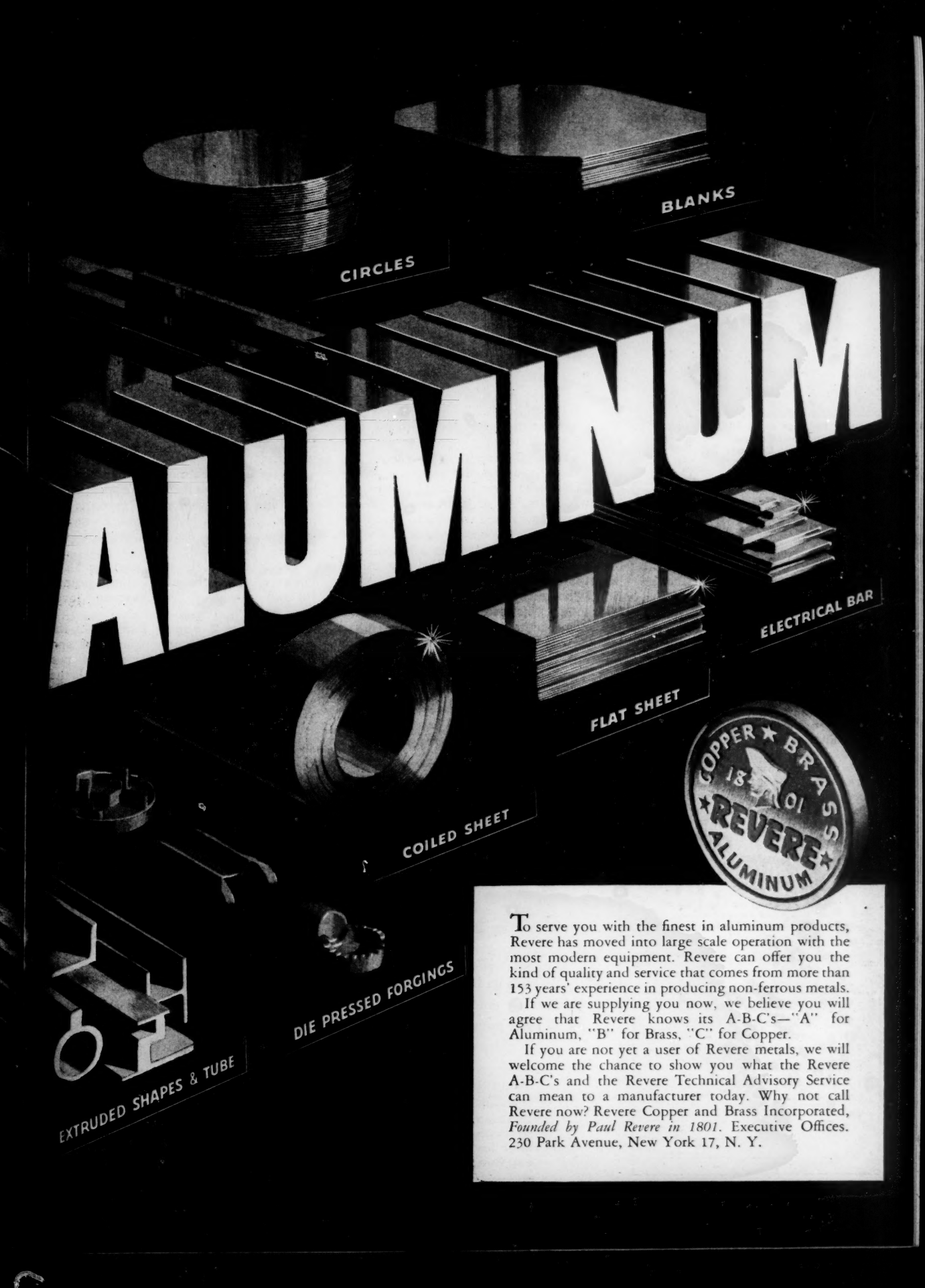

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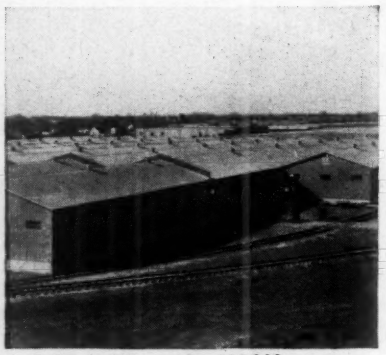

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LIFE AROUND THE WORLD®

memo

FROM ARGENTINA

PERON'S PRIMERS

BUENOS AIRES—Under the gaily colored picture of little boys and girls at play are these sentences:

"All the children are happy.

"They have toys and sweets.

"They also have beautiful homes and new clothes. All of them can go on vacations. How much we owe to Perón and Eva Perón!"

That is an excerpt from a schoolbook, copyrighted and published by Angel Estrada and Company, Buenos Aires, that has come into use in the Argentine schools. This profusely illustrated first reader, like its counterparts in the United States, is used to teach beginners how to read.

The primer starts out, as most do, with simple illustrations and sentences such as, "This is Susie" and, "Susie is a girl." But it soon moves into a recital of wonders performed by President Juan D. Perón, his Government, and his deceased wife Eva.

Before an Argentine tot is many pages into his first schoolbook he comes upon a reading lesson that says: "Perón is the leader. Everyone loves Perón. Everyone sings: Long live Perón! Long live the leader! Viva Perón!"

The lesson on the next page is: "Eva Perón was very beautiful. Very beautiful and very good. Yes, everyone loves her."

Columbus: 2 pages; Eva: 7. In the entire book, Christopher Columbus and his little fleet of three ships get two pages. Two pages also suffice to tell the story of Gen. José de San Martín, the "George Washington of Argentina," who

From Argentina's "First Reader" . . .

¡Viva Perón!

Perón es un buen gobernante.
Manda y ordena con firmeza.
El Líder nos ama a todos.
¡Viva el Líder!

Long live Perón!
Perón is a good Governor.
He gives commands and orders things with firmness.
The Leader loves everyone.
Long live the Leader!

Evita

Evita ama a los nenes.
Los nenes y las nenas aman a Eva.
¡Viva Evita! ¡Viva! ¡Viva!

Evita
Evita loves the children.
The boys and girls love Evita.
Long live Evita! Viva! Viva!

—From "Alelí," copyrighted and published in Argentina by Angel Estrada & Co.

liberated the country from Spain. Eva Perón fares far better than both of these historical figures. Seven pages are devoted to her.

All told, 27 of the 97 pages in the first reader contain praise for the Peróns. Of Perón, the book says: "The Argentines love the leader with all their souls." His late wife is identified as "the immortal Eva, the spiritual chief of the nation."

Use of this textbook is compulsory in every primary school, public or private. The Government requires that it be studied even in the Lincoln School, which is maintained privately for the children of North Americans living here.

The lesson continues. The brightly colored first reader is just a starter. As the pupil in Argentina rises through the grades he finds many of his textbooks filled with praise of Perón and his Government. This continues to the final grade, where students study a textbook called "Our Justicialism"—an explanation in the most favorable terms of President Perón's political and economic doctrines.

Parents of North American children usually are annoyed at first when they find their sons and daughters being forced to study material that is frankly regarded as political propaganda. But, as a rule, they become resigned to it.

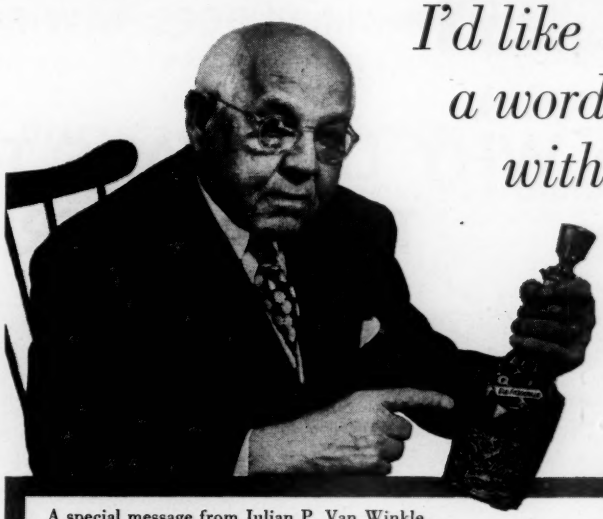
Argentine parents, particularly those who are against Perón, also get very indignant over the way the Administration is propagandizing their children in the guise of education. But there is nothing they can do about it.

President Perón and the things he stands for are required reading in Argentina, and there is no way to skip it.

¡Viva la bandera argentina!
¡Viva el general Perón!

Long live the Argentine flag!
Long live General Perón!

"If you got THIS for Xmas . . .
I'd like a word with you!"



A special message from Julian P. Van Winkle,
President, Stitzel-Weller Distillery, Louisville, Ky.:

Maybe you wonder why I tapped *you* on the shoulder to read this message—so I'll tell you straight, without fancy phrases.

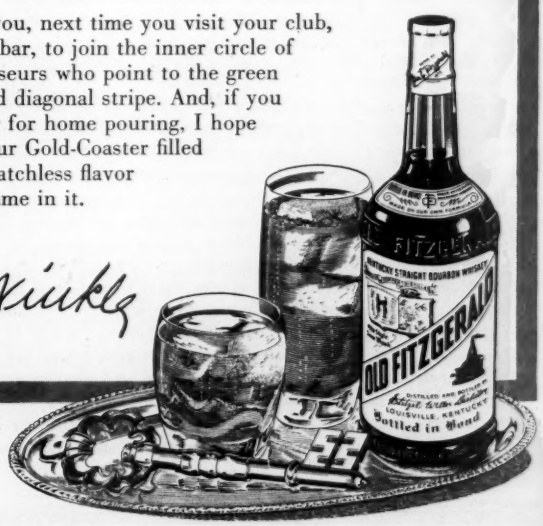
First, I hope you liked your OLD FITZGERALD Gold-Coaster. We're prejudiced, but we think it speaks mighty well for the taste and judgment of the friend who gave it to you. We sold a boat-load of them, by the way — and we're sorry some folks were disappointed because we couldn't supply enough.

Mainly, though, I hope you liked the genuine sour mash *whiskey* in it. It's the real article, and we've got the connoisseurs to prove it! Fact is, I'm counting on that fuller, richer Fitzgerald flavor to make you wonder if you haven't been a little underprivileged in your enjoyment of good bourbon up to now.

I'll be pleased — but not surprised — if you decide you want your *next* whiskey purchase to be that same OLD FITZGERALD — in the regular bottle.

So I'm inviting you, next time you visit your club, package store or bar, to join the inner circle of bourbon connoisseurs who point to the green label with the red diagonal stripe. And, if you prefer a decanter for home pouring, I hope you will keep your Gold-Coaster filled with the same matchless flavor that originally came in it.

J. P. Van Winkle



100 PROOF KENTUCKY
STRAIGHT BOURBON

Interviews — with JUDGES, LAW-ENFORCEMENT OFFICERS

WHY LAW FAILS TO STOP TEEN-AGE CRIME

Juvenile delinquency isn't just "pranks" any more—it's crime. Teen-agers are robbing, raping, committing cold, deliberate murders.

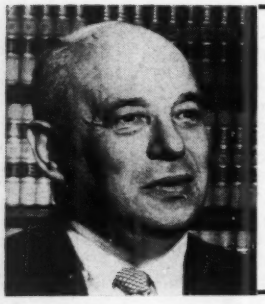
What's wrong? What's causing this growth of teen-age lawlessness?

To get the answers, editors of *U. S. News & World Report* interviewed judges, police officials and prosecutors in various parts of the country. These are the men who must deal with young hoodlums—after parents and social workers fail.

Following are interviews with five of these officials, and a statement by J. Edgar Hoover, chief of the Federal Bureau of Investigation.

"COURTS TOO INFORMAL, INSTITUTIONS TOO FEW"

An Interview with Judge Leibowitz, of Brooklyn



JUDGE SAMUEL S. LEIBOWITZ has presided for 14 years over Brooklyn's Kings County Court, one of the busiest criminal courts in the United States. Before being elected a judge in 1940, he was one of the nation's best-known criminal lawyers. He defended more than 100 persons charged with murder and lost only one to the electric chair.

Judge Leibowitz recently asked a Kings County grand jury to investigate what he called the "coddling" of young hoodlums by juvenile courts and other agencies concerned with handling delinquent teen-agers.

Q Why can't the courts do a better job of controlling juvenile delinquency, Judge Leibowitz?

A The courts alone cannot eliminate juvenile delinquency—you must look to the parents, the school, the church, and the neighborhood to do the real job of prevention. However, the courts—and I refer to the juvenile courts—must bear some of the onus.

In considering the part played by the courts, we should go back a bit. What do we mean when we speak of juvenile delinquency today? Years ago it meant "hell raising," by youngsters. In those days, when we referred to a juvenile delinquent, we had in mind a kid who perhaps was sassy to his parents, who was a chronic hooky player, who was disrespectful to his teacher, loafed and refused to go to work and hung around on the street corner or in a poolroom.

Q Has the picture changed now?

A Indeed it has. There has been a metamorphosis. Nowadays it is not mere juvenile delinquency—now it's violent, sadistic crime—the kind of crime that was foreign to even the plug-ugly of years ago. Today is the era of the juvenile criminal, and I emphasize the word "criminal."

Q What ages are you thinking of?

A They run, let us say, from 12 years and upwards to 21.

Q Committing serious crimes?

A Horrible crimes—mere youngsters are now holdup men, armed with loaded guns, iron knuckles, switch-blade knives, daggers; crimes such as muggings, rapes, home burglaries, felonious assault, arson, dope peddling. I had a safe-cracker before me the other day who was barely 18 years of age.

The really alarming feature is this rapidly increasing incidence of serious criminal conduct in the teen-age groups and particularly the younger teen-agers—that plus the fact that the whole thing is treated much too casually, much too permissively, with these dangerous youngsters being turned loose time after time with hardly a slap on the wrist. Naturally, they can have nothing but contempt for a law and a

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Conditions in New York, Chicago, Philadelphia, Minneapolis and Milwaukee

Blame Is Laid on Disrespect for Authority . . . Too Much Coddling? . . . Lack of Institutions, Personnel

system which has no backbone—no conviction of any sort—in it.

Q You've even had some murders by juveniles here in Brooklyn, haven't you?

A Yes, murders committed by juveniles, and by juveniles I mean those below the age of 16 and teen-agers up to 20 and 21 years of age.

Q How many have you had?

A Now you ask me about those charged with murder and manslaughter. I don't have the figures on indictments, but I do have them for convictions; that is, those who have been found guilty by a jury, or by their own plea, on indictments for murder and manslaughter. I have the little table right at hand here on my desk for the years 1948 through 1953.

In that period we had 84 youths, ages 16 to 21, convicted of murder and manslaughter in the six-year period. And that isn't all. The homicides committed by the youngsters were infinitely more wanton and vicious than those of the older offenders. In the cases of the youngsters, there's an entirely new dimension, a callousness and a viciousness that you encounter but rarely in the older cases.

Q How do you account for all this violence among juveniles and adolescents? What about the juvenile courts?

A Now, for the first time, the public is commencing to gripe about the juvenile courts. The charge is now made that the courts are guilty of coddling the young criminal and thereby encouraging him to become worse, rather than better. I am afraid that this complaint is justified; but in fairness I must say that there is little else that even the competent judges, and most of them are top-notch, dedicated, able men, can do about it under the circumstances that prevail here in New York City. Conditions are probably no different in many other large centers.

Q What's the matter with the courts?

A Well, in many instances, when the youngster is brought to court, he has already had prior contact with the police, crime-prevention agencies and juvenile-aid bureaus.

Q He hasn't been brought into court until all these agencies have attempted to take care of the case?

A Yes, and, by the time he reaches court, he has already shown a propensity toward crime. Telltale danger signs have been flashing, warning those whose responsibility it is to correct him that he is plunging toward the edge of the precipice. The courtroom is the place where he experiences his first formal contact with the law—and this is where he must be brought up short and made to realize that crime doesn't pay: that it is easy as pie to get into trouble, but is as hard as the devil to get out of it.

We must realize that, in these days, we are not dealing with merely the mischievous kid who is just interested in a little "hell raising." Today we are up against the tough, cynical young criminal. And what is the atmosphere in these courtrooms? Since the advent of these special juvenile courts, it has been the fashion to conduct the proceedings with an air of the utmost informality. Even the court attendants are prohibited from wearing uniforms. The judge sits behind a desk with as little formality as a clerk in an office.

In my judgment, this is just plain foolishness. In our large cities, cases are rushed through with the speed of an express train. The volume of business is terrific; the probation service woefully understaffed and underpaid; the care and attention that can therefore be given to each defendant must of necessity be inadequate. To the young offender this whole process of going through the machinery of justice is just a huge farce. This informal courtroom atmosphere is certainly not calculated to impress the young criminal with the dignity and solemnity of the law.

Q Then you feel that the friendly and casual procedures in the juvenile courts are all wrong?

A Absolutely! I firmly believe that that is one of the major causes that tend to encourage the experienced young criminal in his disrespect for law and order and thus to continue in his career of crime.

Q Do you think that, in the children's court, they should concentrate more on punishment rather than on training and rehabilitation?

A Well, now here we go again with these misleading labels. Ofttimes what people may call punishment is really training and rehabilitation. For example, when you give a child a few whacks on his fanny, you're training him. When you give a young criminal a bit of taste of jail, some may call it punishment, but I choose to call it training, with an eye toward rehabilitation.

Q Would more spanking help?

A Yes and no. Of course, it all depends on the youngster and the circumstances. I do not believe in coddling a child—I mean, catering to every one of his whims and caprices. At the same time, I do not believe it wise for the parent to be overstrict, and thereby strangle every normal youthful emotion and desire.

(Continued on next page)

THE PRESIDENT:

"To help the States do a better job, we must strengthen their resources for preventing and dealing with juvenile delinquency. I shall propose federal legislation to assist the States in dealing with this nation-wide problem."

From the message of President Eisenhower on the state of the union, Jan. 6, 1955.

. . . "A little visit to the jail has had a powerful effect"

However, going back to the juvenile courts, I must emphasize again that the business of turning out young criminals on probation time after time is dead wrong. We're never going to put a stop to the repeater with this sort of namby-pamby treatment.

Q Why do the courts do it?

A Most of the judges of our juvenile courts know that it is bad business all around. They know that it is foolish and dangerous to turn out these young criminals time after time, but there is very little else that even the competent judges can do because of the absolute lack of institutions where these experienced young criminals can be committed.

As regards the few judicial misfits, they would continue to turn out the repeater until doomsday, even if there were a million appropriate institutions available. Though the incompetent judges are few in number, they do a tremendous amount of damage because of the thousands of cases they handle during their terms of office.

Q How do you think juvenile cases should be handled?

A Well, let us devote another moment to this matter of informality. Let us assume that a defendant is before the bench in my courtroom about to be sentenced. Let us assume that I have decided to give him his freedom on probation—and I do that frequently, but only after I have had our probation officers make the most careful field investigation and have calculated all the risks.

I will say to him: "Now, Mister Defendant, I intend to suspend sentence on you and put you on probation; but, before I do so, I shall send you down to the jail. I want you to see what the inside of a cell looks like. I want you to sleep in a cell tonight. Just look around that cell, look at that cot—the bed clothing—nothing like the nice clean bed at home. When you wake up in the morning, bars will be staring at you; there'll be nobody there to serve you your breakfast just like mother does. Walk around and rub shoulders with some of the human scum in the jail—sex degenerates, the dope fiends, the punks, and then come back before me tomorrow morning and you'll receive your suspended sentence and probation; but you will already have had an idea of what you're bargaining for if in the future you ever step out of line."

Now, this little visit to the jail has had a powerfully salutary effect on many defendants. This is not punishment, is it?

Q It doesn't sound very severe—

A It isn't intended to be severe. It's just like putting a child's fingers near the fire: only to teach him that it's really hot and that it burns like Old Harry when you play with it and get real close. When he comes back on the morrow, I say to him, "How do you like it in that cell? Tell me what you think." I draw him out. When he leaves my courtroom he has a pretty fair conception of what he faces—Sing Sing—should he go back to his old tricks while he is on probation.

Q And you find you have fewer repeaters after they've gone through this experience?

A Yes, indeed. I have been fortunate in having an extremely low rate of recidivism—that is, repeaters—in my court.

Q To what did you refer when you spoke of the "lack of institutions"?

A Suppose I told you that, in New York, the most populous State in the Union, there are but two public institutions which take juvenile offenders who are under the age of 16. One is Industry, located near Rochester, and the other Warwick. Industry and Warwick each has a total capacity of 500 inmates.

Q Are the institutions well run?

A I happened to visit Warwick recently. Now, Warwick is a cottage-type institution located in a strictly rural part of New York. The sheer beauty of this place is simply breathtaking. The landscaping, the lawns, the trees, the flower beds—the entire surroundings give you a feeling of being on the grounds of a fashionable country club. Along about lunch hour, my escort took me into one of the cottages. The place was so spotless that one could "eat off the floor." The inmates were having their lunch on bridge tables.

I pulled up a chair to one group. The first youngster was doing time for an automobile theft, the second for burglarizing an abandoned house and ripping out the brass plumbing, the third was in a gang fight, and the fourth—was there for murder! Here were three boys dining at one table with a full-blown killer.

These so-called correctional institutions are mere dumping grounds, human junk yards where the good, the bad and the indifferent are herded together. At Warwick, you find

J. EDGAR HOOVER SAYS: "The nation can expect an appalling increase in the number of crimes that will be committed by teen-agers in the years ahead unless the crime rate among juveniles can be lowered.

"In 1953, persons under 18 committed 53.6 per cent of all car thefts; 49.3 per cent of all burglaries; 18 per cent of all robberies, and 16.2 per cent of all rapes. These are the statistics reported to the FBI by 1,174 cities.

"Even the present number of juveniles, committing crime at the present rate, in the next 33 years—approximately a generation—will commit 7.4 million automobile thefts, 15.8 million burglaries, 2 million robberies, 3 million aggravated assaults and 200,000 murders.

"But the number of teen-agers is increasing, as a result of the very high birth rates after World War II. The national crime rate also is increasing, and there is reason to believe that the juvenile crime rate is going up, too. Therefore, it is logical to expect that the total of crimes that will be perpetrated by children will be even higher than these statistics indicate.

"A determined effort on the part of parents and the community is needed to avert this tragedy."

Mr. Hoover, Director of the FBI, made the above statement to "U. S. News & World Report."

JUVENILE CRIME— and what to do about it

Here, in brief, is what judges and law-enforcement officials told "U.S. News & World Report" about teen-age delinquency:

THE CAUSES	THE CURES
A general and growing disregard for constituted authority	Parents should show respect for law and teach it to their youngsters
Weak discipline in home and schools	Firmer control—spankings when needed
Juvenile courts too lenient	Quit coddling young hoodlums
Too many "repeaters" turned loose on probation	Crack down on "repeaters," put them in institutions
Lack of good institutions for reforming young delinquents	Provide reformatories that reform, staff them with psychiatrists
Shortage of trained probation officers to handle youngsters turned loose	Train more probation officers, let them concentrate on youths who can be saved
Too many vicious "comic books"	Control "comics," encourage other reading
Shortage of policemen trained in handling youngsters	Train more police, put them out walking neighborhood beats

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500 twisted, maladjusted youngsters who, Lord knows, need the most expert treatment if we are to rescue and rehabilitate even a percentage of them.

Q What about psychiatrists? Don't these inmates get any psychiatric treatment?

A Wouldn't it amaze you if I told you that there isn't a single New York State adult correctional institution which has a full-time psychiatrist on its staff? Take the State prisons for adults—the population of our State prisons is about 20,000, and there isn't a single full-time psychiatrist on service. Warwick and Industry each have a full-time psychiatrist, but, except for screening the new arrivals, there is practically no time he can devote to treatment. His chief duties are to advise the keepers how to conduct themselves.

Q Are the inmates at Warwick given an education?

A You have kids there who can't read or write though they're 15, 16 years of age. Some can't even spell "cat."

There is a nice school building on the grounds. Certainly it would be reasonable to expect that the State would staff that school with the very best expert, specially trained teaching talent to handle these maladjusted youngsters. But how can you expect to get the right kind of teaching staff at such miserably low salaries which the State pays to these teachers?

Our States are penny-wise and pound-foolish, indeed. They lock up a kid in an institution such as Warwick. It costs close to $4,000 a year to maintain one of these youngsters in such an institution, and yet the teacher there starts at an annual $3,540, and after several years can reach the maximum of $4,490 per year. The director of the school starts at $5,090, and his maximum is $6,320.

Q Is anything being done about the problem?

A For years, judges have been clamoring for more adequate facilities. We might just as well have been baying at the moon. It seems that millions are readily available for new roads and fancy comfort stations with marble façades. But funds to build necessary institutions for these young offenders —and to hire competent professional help so that they can be rehabilitated—never seem to be available. So, you see, our juvenile-court judges are simply not to blame.

Where the case is a really desperate one and the judge must send the youth away, here is what happens: The walls of Warwick are bulging with inmates. It is crowded to the doors. If the judge commits a new offender to Warwick, the institution must receive him, and therefore it's just like a pipe that is all filled. If you push something new in one end of the pipe, you thereby force something out at the other end.

(Continued on next page)

. . . "Traditional values in family living are disappearing"

Therefore, young criminals who are far from rehabilitated must, perforce, be paroled from this institution long before they should be thrown back into the community. Many of the young prisoners abscond. In 1953, 195 inmates escaped from Warwick.

Q How do you account for the rise in juvenile delinquency?

A There are so many impacts on youngsters today which were unknown in the years gone by. Life was much simpler in those days. Today it is so much more complex. And we haven't as yet caught up with the know-how of bringing up children in this crazy, topsy-turvy world we live in today.

Just consider what the automobile has done to America. On the one hand, the automobile has been a boon to life in our country—it has been a godsend. It gives us convenience in transportation and has really been one of the foundations of our prosperity in commerce and industry.

Yet, there is another facet to consider. The automobile has tended to destroy community life in all of our cities and certainly in most of our towns. Even some rural districts are communities no longer because the automobile speedily transports people miles away from where they live. In our cities, with the disappearance of our communities, we have experienced a gradual rise in the incidence of crime, especially juvenile crime.

There is but one real community left in the entire City of New York, with its 8 million people, and that community is Chinatown. Now New York's Chinatown has practically no juvenile delinquency and practically no crime.

Years ago we did have juvenile delinquency in our communities, but not to the degree that obtains today. We then had no juvenile crime that compares with the appalling condition today. Those of us who lived in the teeming tenements of the slums of the East Side, the West Side or Harlem knew everyone else in the community. We were born on that street—or, if we immigrated to America, we settled on a particular block. Perhaps we moved around a bit, but only within a radius of a few blocks.

Yes, everybody knew everybody else. The cop on the beat knew every man, woman and child in his sector. If a person was arrested, why that was a mark of shame. So the community had a real braking effect on the tendency of a would-be offender. But now that brake is gone. You can live in one of those apartment houses for five or 10 years and not have a speaking acquaintance with your next-door neighbor.

Even within the home, the basic, traditional values in family living are disappearing. People worship new automobiles and television sets and such, instead of God, and naturally the children follow suit. If we can re-create the older ideals, when children were taught to worship God and to respect others, we shall have gone a long way toward restoring the moral fiber of the whole community. Could anyone doubt that the present wave of serious delinquency would thereby be checked?

"HOME DISCIPLINE HAS DECREASED"

An Interview with State's Attorney Gutknecht, of Chicago

JOHN GUTKNECHT was a judge of the Municipal Court of Chicago for 18 years, and was elected state's attorney of Cook County, Illinois, in 1952.

As a judge, Mr. Gutknecht became internationally known for his work in boys' court and traffic court. He instituted the practice of sparing teen-age first offenders traffic-court records if their parents took them to view accident victims in the morgue or hospital.

Mr. Gutknecht also is widely known as a teacher of law, an international traveler and a lecturer against Communism.

Q Why is juvenile crime increasing, Mr. Gutknecht? Can't the police and the courts control it?

A Without question, it is increasing, and among many reasons, I think, the basic reason is a gradual decrease in home discipline. The child that has never been taught discipline in the home is only going to respond to the court when punishment is severe.

Q Then you think parents are softer on their children than they used to be—

A I don't think there's any question about that. That comes out in so many different ways. The average parent will admit it to you. You can ask them as to what their dad did in a given circumstance, and their answer is: "Times are different." The very statement on their part that "times are different" is an admission that their methods are softer.

Q Do you think more spankings would help keep children on the straight and narrow?

A Of course, I have always believed that it depends upon the particular home. Some parents, by giving their word for a certain thing and keeping their word, can teach discipline. Other parents have to use the woodshed.

Q What could be done to make the fight against juvenile delinquency more effective?

A I think there could be more emphasis on some things. Let me, first, take the issue of courts. I have told the social workers this: I have a great deal of sympathy for all young people. I have no pleasure, as the prosecuting attorney, in being the cause of a young fellow or an old fellow going to jail. But I have further said this: Within your limited budget and personnel, I'm glad to help you get all the young

. . . "Next thing is to control the 'comic-book' problem"

people you can handle to try to rehabilitate. I'm glad to see you save the record on their first offense. But you must do your job for the individual, do it without much publicity and without too much mere kissing on the wrist and sentimentality.

As state's attorney—and, when I was judge before this position I have now, I used to say that the judge and the state's attorney must talk severe, and, in the cases of the repeaters and the occasional vicious first offender, must act severe. And let that severity be publicized for the sake of its deterrence.

CRIMES OF THE YOUNG—

Q You think some of the vicious first offenders should be punished, instead of simply reprimanded?

A There isn't any question. When you have even a 14-year-old guilty of a vicious rape and you have brutality as bad as rape, when you have 15 and 16-year-olds going out with a loaded revolver, when you have these gang attacks of four and five people jumping on another child and breaking his jaw, or even killing him, you're no longer in the place where you can talk about being too sentimental. That child has to be taught and taught by punishment.

Q What's to be done with the vicious repeaters who are brought back again and again, who have prison records but are released by the courts?

A Well, society's always had that problem, regardless of the age—what to do with the confirmed criminal. He can be confirmed at 16 as well as at 46, in extreme cases. He has to be locked up. Remember this: The social worker, basically, is concerned with the individual; the state's attorney and the judge have to be concerned with society. If the social worker fights for one child, and if, in our judgment, a particular fight with the proper publicity sends one child to jail, that may save many prospective delinquents.

Q Can anything be done to keep children from becoming delinquents?

A First, emphasize the need of more discipline in the home. Continually we find that no matter what kind of a record a child of 16 or 17 or 18 has, the parents come into court entirely defensive about their child, seem to recognize no duty on the child or on themselves to help society. They seem to be fighting their government and fighting society, instead of recognizing that if the child doesn't learn discipline early, he can never find his place in society. It's the weakness of the parents that too often results in the crime of the child.

Q Don't the parents understand the juvenile-delinquency problem?

A The average parent is very much interested in this problem. He's very co-operative on general issues. You meet him at P-TA meeting and he's with you 100 per cent. He thinks it's happening all around him, but can't happen to his own child.

Then the day comes that he comes into court with his own child, and he is often as irrational as a mother lion with her cubs—purely defensive, not recognizing that the reason the child can fight society is that the child too often successfully fought his parents.

And, of course, the next thing we can do—and I've been very glad to see the steps that have already been taken by the industry—is to control the comic-book problem. I am certain, regardless of the lectures by some of the professors in sociology, and so forth, that everybody who is intimately connected with the work of the courts dealing with teen-age criminals and delinquents will recognize that vicious, brutal and lustful comic books cannot help but turn many a child to crime.

You say a healthy mind, maybe, can meet that problem. Well, society doesn't have to protect itself from the healthy minds. If society has a problem with 10 per cent of its minds that aren't healthy, then that's more of a job than the police force of America can contend with.

Q Do you think the police are doing their job properly in helping to curb juvenile delinquency?

A Remember this: The average policeman is an average human being who definitely starts out in favor of all children. The average policeman will give a child a break if it's just some minor peccadillo. The average policeman today, particularly in certain neighborhoods, will find that he's been so badgered that he will recognize, the first of any, how through the lack of discipline children are getting out of hand.

Q He is being badgered by the parents or by the children?

A He's being badgered on his job by delinquent children. Then, when he attempts any kind of constructive work with them, bringing them to court and testifying, he's then badgered in court and out of court by the parents who are coming to the defense of their child, regardless of how wrong the child is.

WHERE CORRUPTION HURTS—

Q What does that do to police morale?

A Of course, it has a very bad effect. One difficulty with the police problem in America—a difficulty that occurs in any profession—is that some policemen do not recognize that one crooked policeman, if he's defended, can do more harm to the police force than a hundred honest policemen.

In Chicago, I have emphasized the fact that as to any crooked policeman the state's attorney tries to make sure that he's punished under the law just as severely as a citizen. I'd like to see less tolerance by the honest policeman of the crooked policeman, namely, a willingness to testify when we're catching up with a crooked policeman. But, while I'm very strong on that, I want to say that that is not a criticism of the work, juvenile or otherwise, being done by the vast majority of the policemen.

Q But there have been instances of police corruption affecting the drive against juvenile delinquency?

A Of course. We had a case the other day that involved a policeman getting a juvenile working in a jewelry store to steal for him. Now, you can't expect that, with 10,000 policemen, 15,000 in our county, there won't be a few that are depraved. We know there are depraved men in all the professions that we have to catch up with.

Q Chicago tries boys of 17 or above in adult courts. Do you think that is a good practice?

A I think it is a very good practice. Our juvenile court is restricted to boys under 17. Now, today particularly, between television, comic books, radio, a boy of 17 is so much more mature, emotionally at least, and in his general knowledge, than he was, say, 25 years ago when he didn't have the ad-

(Continued on next page)

. . . "Boys of 18 are men and should not be mollycoddled"

vantage of those things that do develop him, I think we must have a difference between the treatment of boys under 17 and boys over 17 but under 21.

I would hate to see a juvenile court that functions on the basis of the average juvenile court, with an emphasis on leniency, at the same time handling boys of 18, 19 and 20, who are today to all intents and purposes men and should not be mollycoddled.

Q Does the juvenile court's rule against giving you and the police access to its records complicate your problem in prosecuting the older teen-agers?

A That is one problem, no question about that. I believe very strongly that in the juvenile court their policy of keeping the records of those boys free from the newspapers and free from publicity is a very good practice. But I disagree with them on one other thing, however. Once the boy is over juvenile age, and you then get him in court on a serious crime, if the state's attorney and the judge are not permitted to know his record in the juvenile years, we have no way of knowing how serious the case is.

If I have a 19-year-old boy who's gone through the juvenile court a half a dozen times, and I have him up for rape or up for stealing an automobile, and it's his first offense since he was 17, surely, either as state's attorney or as judge, I should have that previous record.

Q Do you think you may do an injustice if you don't have it?

A I may do a tremendous injustice.

"DISREGARD FOR AUTHORITY—BY ADULTS, TOO"

An Interview with Police Commissioner Gibbons, of Philadelphia

THOMAS J. GIBBONS has been commissioner of police in Philadelphia, Pa., since 1952. Now 50 years old, he entered Philadelphia's police department in 1929 and worked his way up through the ranks to become head of the department.

From 1939 to 1951, Mr. Gibbons was chief of the police department's juvenile-aid bureau, which has charge of handling teen-age delinquents.

While serving on the police force, Mr. Gibbons used his spare time to study sociology and government in night courses at the University of Pennsylvania.

Q How do you account for the rise in juvenile delinquency, Commissioner Gibbons?

A Throughout the country there is a general disregard for constituted authority. I think that goes for the adults and is reflected in the thinking of the juvenile. One of the reasons for making that statement is from the attitude of the youngster toward the police officer today.

I'm thinking back, now, to when I was a youngster. We would be fearful of the police officer. Today, boys will actually stand up and defy a police officer. I have seen this happen time and time again when I was in charge of the juvenile bureau: We would stop to question some boys, present our credentials, and tell them we were police officers, and have them absolutely defy us. I know, when I was a youngster, these things didn't happen.

Q What has caused the change?

A I think the change has been going on over a number of years in the attitude of older people toward constituted authority.

Take the police departments themselves, and I'm taking just this one branch of public service: Every so often you pick up the newspaper and find out there's been an investigation of a certain police department because of the illegal activities of a few members of the department. And the newspapers, rightfully so, give this a glaring headline. I think the people are of the general opinion that, because of the acts of a few members of the police department, law and order, as far as police departments go, is broken down.

Q Do you think, then, that the corruption that is exposed in various police departments from time to time has tended to destroy the respect of the people for the police?

A I do. I think you will find this true among all the police administrators in our larger cities—they will tell you, as I will tell you, that the great majority of police officers are trying to do a good job in public service, but the acts of a few stand out, and these are the men who cause the investigations to be made in the police departments. I think the adults and the young people think that all police departments are graft-ridden organizations. And that's not true.

Q Could you do a better job of enforcing the law among youngsters if you had more foot patrolmen?

A I've heard a lot of stories from the supposed police experts about the value of the man on the beat. Now, I worked the beat—some 20 years ago, in the city of Philadelphia—and, believe you me, I don't know how much crime I prevented, if any. But I will say this: Some things have happened while I've been commissioner of police that have caused me to look askance on straight foot patrol. With a squad car, you get a maximum amount of protection for the minimum of your tax dollar. If you wanted to adequately patrol a city of this size on foot, it would cost you 10 times your present budget. You'd pay 250 million dollars. And then I don't say that you'd be getting adequate protection.

Q Then you feel you need both of them—

A Yes. The people who advocate out-and-out straight foot patrol don't know what they're talking about.

. . . "I think corporal punishment works wonders with kids"

Q What do the police need to enable them to do a better job on juvenile delinquency?

A I think, first of all, we have to get back to some of our old standards. No. 1, we have to have a respect for constituted authority, and that's not only as it applies to the police, but in the schools.

What are you to do with the problem of disciplinary boys in the school? We've gotten away from the custom of giving them a cuff on the ear, as we used to get in school when we got out of order. We learned that you couldn't do these things in the classroom. You had to conform to rules and regulations, or else. But we seem to have gotten away from that. I know for a fact that if any of the youngsters in school today are cuffed around by a teacher, immediately there's a demand to have the teacher removed, and so you can't have discipline.

Q You think there should be corporal punishment in the schools?

A Either corporal punishment or the threat of corporal punishment. I think it works wonders with kids.

Q What's the matter with the schools that they don't teach better discipline—in addition to the fact that they can't spank the pupils?

A I'm not going to lay any of this blame on the schools, because, having worked in close co-operation with the school people over a number of years, I know they are doing an excellent job.

I think that one of the things that has to be taken into consideration when you're talking about the over-all juvenile problem is the fact that we have boys who are compelled to go to school after they reach a certain age. A youngster has to stay in school until he's 16. Now, this law is all-inclusive. And I don't believe you can leave even at 16 unless you have a job.

I think that this should be looked into, because you have a great many youngsters who do not desire to go to school. They want to quit school as soon as they're able to get out and work, and a great many of these are your problem cases in school.

TEEN-AGERS WHO HATE SCHOOL—

Q You find that a great many of your delinquents are these youngsters who don't want to be in school?

A That's right. And yet they're mixed in with other students and continually have the classroom in an uproar. The teacher is doing everything humanly possible to get across to the other kids, who want to go to school, the lessons for the day, and yet they must be subjected to the tortures of having two or three kids who don't want to attend and want to be kicked out of school and can't be kicked out.

Now, what do you do with a kid like that? The best you can do is to send him to a disciplinary school. That's the Daniel Boone school here, and that just takes care of the disciplinary problems of the school system, and that is overcrowded. That's filled up and you just have to keep them in school. This compulsory-age law is something that ought to be looked into by the authorities.

Q Is there anything else that the police need in Philadelphia to enable them to do a better job against juvenile delinquents?

A I think if we had fixed penalties for violation of a curfew—then a great many people will say that a curfew in a big city is ineffective, and that may be true. I'm not going to argue that point—

Q But aren't most juvenile offenses committed in the afternoon after school, before dark?

A Yes, the graphs consistently show that. But you do have the problem in certain areas of the city where youngsters, teen-agers, roam the city at all hours of the day and night.

Now, you've got to set something up that's going to hit that group. That means you would enforce a curfew in limited areas, and by "limited areas" I mean the areas that are giving the police trouble. I've found that it has worked in the city, and it can work. Whether it would be effective on a city-wide basis, I don't know. But, in limited areas, it will work and can work.

HOW PARENTS HELPED—

Q Did it reduce your trouble with juveniles?

A Oh, yes. And we had quite a problem. We had Broad Street Station here, right across from City Hall, that was more or less of a detraining point for a large number of servicemen, and over here in the plaza we had an open-air dance, conducted by the USO, where they had hostesses dancing with the servicemen who were detraining and entraining in Philadelphia. And we found that these girls were getting in here, getting themselves in trouble and servicemen in trouble.

But, after a six-month period, we found that we had none of that, because we used to pick these kids up and send for their parents. I've seen justice worked out right downstairs here, where we had the headquarters, especially if you called a father at 1 o'clock in the morning and told him that his daughter, who he thought was over at a girl friend's house, was in the custody of the police in town. And I've seen this happen many a time—the father would take care of the problem right downstairs in front of everybody. We had very few repeaters.

Q You didn't have to go to juvenile court with those cases—

A That's right. We sent very, very few of them to court. They were all handled downstairs by their parents. And, in a great majority of cases, we had very effective co-operation from the parents. That's why I shy away a little bit when they talk about fining the parents, because in this problem I don't think there's any parent who is desirous of having their youngster becoming embroiled with the law.

Q Do you think parents are doing everything they can to avoid that?

A I think, in a great majority of cases, yes. And I think I should be in a position to know, having dealt with parents on this old curfew problem and having dealt with them on the juvenile bureau.

Q You are in a minority in that view, aren't you?

A You know I am.

Q Most people are blaming the parents—

A That's right, but I want to say that, in my dealings with parents, I found that in most cases the parents have been very co-operative.

Q What hope do you have of reducing the juvenile-delinquency rate? What's coming?

A I don't know, to be perfectly frank with you. It causes me to wonder, because I see these cases. And a great many

(Continued on next page)

. . . "Only 2 per cent of our youngsters are arrested"

people, when they're talking about the juvenile problem, point out that this is nothing to be concerned about—only 2 per cent of our youngsters are arrested. And that's true. Only 2 per cent are arrested. But the conduct of many others who are not arrested is something that gives me grave concern.

The experts will tell you that as the years pass this will wear off and they will get into the groove and become good, law-abiding citizens. But while we are waiting for them to get into that groove is what causes us a lot of concern at the police department. I know that 2 per cent of the population is not too much to worry about as far as arrests go. But take, for example, that fracas we had the other night out in West Philadelphia, where this group became involved in a gang fight. Now, of course, only about 30 or 40 of them were arrested at the time, and we think we got the ringleaders. But how many others were involved?

Q You can't feel too good about it, can you?

A No. You have no assurance that it won't start up again.

Q And you don't have any assurance that it isn't going to get worse, either, do you?

A No, none in the world. The best we can do in the police department is to keep our noses to the grindstone and keep plugging and hoping.

Q Aren't the present measures going to mean less juvenile delinquency in the future than there is now?

A I'm not going to be that hopeful.

"NOT ENOUGH FOOT POLICEMEN ON BEATS"

An Interview with Police Chief Jones, of Minneapolis

T. R. Jones entered the police department of Minneapolis, Minn., in 1936 as a foot patrolman and advanced gradually to the top of the department. He has been superintendent of police in Minneapolis since 1949.

Although Mr. Jones did not specialize in juvenile work, his wide police experience has provided him with close familiarity with the problems of teen-age delinquency.

Mr. Jones served in the Navy in World War II and, before becoming a policeman, was a sales manager. He is a graduate of the Federal Bureau of Investigation's National Academy.

Q Chief Jones, why can't the police control juvenile delinquency?

A There are probably three main reasons why the police do not control juvenile delinquency at the present time. I will not try to name them in order of importance, but they are, one, lack of personnel; two, lack of personnel who are trained in the specialized problem of handling juveniles, and, three, the lack of co-operation and correlation of efforts between all of the agencies which are interested in the juvenile problem.

Q Can we break that down? What do you mean by lack of personnel?

A In Minneapolis, we have less than one half the national average of police officers per thousand population.

Q How many of your police officers are foot patrolmen?

A Well, Minneapolis is very unfortunate, because we are only able to put a maximum of 12 officers on foot patrol, or beat work, at any time during the night hours.

Q How many do you think you should have to do the job effectively?

A In Minneapolis we should have at least 65 foot officers during the night hours, on foot.

Q Do you think this lack of foot patrolmen is a reason why police are having trouble controlling juvenile delinquency?

A It contributes very greatly to that cause. For example, a beat officer working in a neighborhood district has a chance to meet the juveniles, to meet their parents, to know the conditions in that particular area, and to recognize trouble spots before they become dangerous.

Q He can do a better job than the officer in a squad car just driving by—

A Very definitely. Because a squad-car officer's duties are, by their very nature, emergencies. He answers radio calls and does not have the time to devote to what you might call liaison work between the public and the police department.

Q Chief, why does a policeman need special training to prepare him to work with children?

A In my opinion, juvenile work is a very specialized branch of police work. Most police departments have been handling the juvenile problem the same as they handle any other police problem, whereas it should be a specialized problem and handled in a specialized way. I think that all departments should make an effort to try to train their juvenile personnel in the handling of juvenile problems.

Q Do you fingerprint juveniles here in Minneapolis?

A No, we do not. In my opinion, there are many, many cases in which fingerprints should be taken from juveniles. However, I should qualify the statement by saying that, in my opinion, all juvenile records should be kept confidential within the juvenile department. They should not be mixed with the adult records. The only people who should have access to those records are those who can show a definite interest in the juvenile himself.

Q Well, if you had fingerprints, do you feel you could do a better job?

. . . "Fingerprints are necessary in solving juvenile crime"

A Oh, very definitely. Fingerprints are just as necessary in the solving of a juvenile crime as they are in adult crime. They are just as important in the maintaining of a record of an individual with the juvenile as they are with the adult.

Q Is juvenile fingerprinting being done anywhere that you know of?

A No, not that I know of. I do not know of any city at the present time which takes fingerprints of juveniles. There has been public resentment against the fingerprinting of any individual, especially when it is done by the police department.

Q What about the attitude of parents? Do they co-operate with your policemen who are trying to enforce the law among juveniles?

A In Minneapolis, after a long fight, I feel that the parents are coming to the point where they co-operate with the police department more than any time in the past. I might say that the reason for saying "after a long fight" is because Minneapolis had the same problem as so many other cities throughout the country some years ago. It is a well-known fact that in past years there was a lot of graft and corruption on various police departments in the country, and people have looked on police officers with resentment and, shall we say, with a certain degree of contempt because of this fact.

Modern police departments have changed completely in this respect. Most of our officers are younger and well-educated men. They are men who are trying to do a good job. The reason for resentment on the part of some parents in the past has been because, knowing that there has been graft and corruption in certain police departments, when their child or their juvenile was picked up by the police, the parent immediately felt he should defend his own flesh and blood against an organization which he knew had some degree of graft and corruption existent.

I believe in Minneapolis we have proved to the people that the administration is honest and is trying to do a good job for the public. For that reason, we have less trouble now with the parents when they are called in than we used to have in the past.

Q You think the standards of the police force are better than they were before?

A Very definitely.

Q What about police forces that are still corrupt—do you think that they are the ones that are more likely to have the greatest trouble with juvenile delinquency?

A Very definitely. There is an old saying: Monkey see, monkey do. If the parents of a child commit law violations themselves, they can expect the child to commit the same law violations. If the adults see police officers committing violations, the public can also be expected to commit the same violations or others.

"POLICE NEED TRAINING IN PROBLEMS OF YOUTH"

An Interview with Police Captain Wolke, of Milwaukee

CAPT. MICHAEL S. WOLKE *has been director of the youth-aid bureau of Milwaukee's police department since 1946. Before that, as a policeman, he was active for many years in the Boy Scouts and other youth organizations. He twice has won civic awards for his work on behalf of young people.*

Captain Wolke is a graduate of the Delinquency Control Institute of the University of Southern California and teaches each year at the University of Wisconsin's Law Enforcement Institute, which instructs policemen in handling juveniles. He is president of the State Juvenile Officers Association.

Q Why are the police making so little progress in the fight on juvenile delinquency, Captain Wolke?

A In previous years, of course, the police department as a law-enforcing agency was not prepared to do that kind of job. Recently, we've been trying to train and prepare officers to do a much better job with juveniles.

Q You mean the police in general aren't trained to work with juvenile delinquency?

A Not to the extent the social worker is trained in doing social-treatment work.

Q Do police need training in social work?

A They should have some of that training, certainly.

Q Have you given that kind of training in your bureau here in Milwaukee?

A Yes. We have an in-service training program here with my staff, and, of course, I am a graduate of the Delinquency Control Institute at the University of Southern California. We also have a course at the University of Wisconsin, a three-day institute. We call in law-enforcement officers from the entire State to give them the fundamentals of this uniform procedure and uniform methods in handling youngsters.

Q Is this training of police officers for juvenile work new?

A Yes, it is. It doesn't go back for more than 10 years, I think.

Q You think the police would be making better progress in their fight on juvenile delinquency if they had had such training long before?

A Yes, I think they would.

Q Do you feel that you are making progress here in your fight against juvenile delinquency?

(Continued on next page)

. . . "Policemen, social workers could help each other"

A We certainly are, here in Milwaukee. We have a very fine, successful program functioning.

Q And still the number of juvenile delinquencies is increasing, isn't it?

A Statistically, yes.

Q What do you mean?

A There are three answers to that. Briefly, one is an increase in population—an increase in annexed areas, where the city is developing rapidly. Another is an awareness, a greater awareness, on the part of the general public of the problem of delinquency and juvenile crime. And, thirdly, we who are in this training process do a much better job in recording our statistics and reporting to ourselves by keeping graphs and statistical charts.

WHY STATISTICS ARE UP—

Q You think keeping better records makes it look as if you're having more juvenile-delinquency cases than you used to?

A Yes. Because previously we never used to classify a broken window, a stolen bicycle, or the great number of truancy cases as delinquency. Today, we classify every one of those offenses in our statistics. Every one is recorded. And that is probably the greater reason why we have more statistical delinquency. But, as far as general delinquency on the part of the kids committing more crime, or offenses, it isn't any greater than it was 20 years ago.

Q Do you think your success in your work against juvenile delinquency here is because you're tougher on the violators?

A I wouldn't say tougher, no. We have a program here whereby the police officer on the beat is the general crime-prevention agent. He gets training in our police training school in a general over-all program of being a more understanding, more sympathetic officer on the problems of youth.

Q That's the duty of the whole police force, not just the youth-aid bureau?

A The entire force, yes.

Q They all get some training for juvenile work?

A That's right. We are not a specialized unit. Every police officer walking the beat is trained for it—and, of course, there is another point I'd like to make: At least 40 per cent of our total personnel of over 1,600 walk beats.

Q That's a very high percentage of officers on foot, isn't it?

A Yes. It's one of the greatest in the country, I think.

Q What's the advantage of that?

A Because the officer walking the beat knows the kids. He meets them every day on foot. The child and the parent have a chance to learn who the officer is and get acquainted with him and get on better and friendlier terms with him.

Q He can watch the neighborhood more closely?

A Kids congregating on corners, which is the beginning of a gang organization, don't get that kind of leadership if it's broken up before it has had time to develop. We break them up early here. The officer on the beat knows them, knows where they hang out, he tries to get them into church groups, social centers, boys' club activities. He gets them to do something. If he has trouble, of course, then he orders them to the youth-aid bureau for the follow-up.

Q What can be done now, Captain, to make your work against juvenile delinquency more effective?

A I'd say bring about a better understanding—and co-ordination—among our agencies, our churches, our schools. There is room for improvement. As you know, social workers don't think much of police officers in their communities in the kind of job they're doing with youngsters. But, there again, I think we can help each other in this whole problem of juvenile crime and delinquency by exchanging ideas, getting together with each other, showing where our limitations are, how best we can work together instead of working apart from each other.

Q Does the social worker help here in your work against juvenile delinquency?

A Here, in Milwaukee, we have a very fine community relationship because we have gone out and made it up ourselves. We've joined the social workers, the community services, the welfare council in their group work and case work. We sit on their boards and in their committees. We exchange ideas. We have fine liaison with all the individual public and private welfare agencies, and we refer the kids to these agencies on a very confidential basis.

Q You don't find that kind of co-operation in many cities, do you?

A No. There usually is a bitter fight between the two because most social workers feel that the police have no business in social work. We agree. We are not trained to be social workers. We are police officers first and last. But we can do a good prevention job from the police point of view. And, if the social workers could only realize that and accept it, we could be helping them in their program; and, if they, again, would understand our position and what we are trying to do, we could help each other very nicely.

Q Do you think the social workers in other cities have been perhaps a hindrance to the police on account of their theories of handling juveniles?

A I think they have, yes. Because there you have theory and practice conflicting with each other—the theoretical approach on the side of the social worker and the practical way of working with the child from the law-enforcement point of view. I think both of them have a very distinct place in this whole over-all program, both of them could do an effective job if they joined hands. Practice and theory must work together.

Q Then you have adopted many of the social workers' points of view here, haven't you?

A You've got to, yes. You've got to accept some of their points of view, and they have to accept some of ours.

WHEN TO WEAR UNIFORM—

Q What do you think of the social workers' idea that a policeman shouldn't arrest juveniles while in uniform or transport them in marked police cars?

A We believe the uniformed officer has a deterrent effect on juvenile violators. However, we don't go into a school in uniform, we don't transport juveniles in marked cars or patrol wagons. We have special unmarked cars for that purpose.

Q Even when you go to their homes?

A Even when we go to their homes—unless it's the officer on the beat who makes the initial contact, for a broken window or some other matter in the neighborhood. The officer goes to the home and talks to the parents about what is happening and asks for their co-operation.

. . . "Somewhere along the line you've got to get a little tough"

Q But when the men of your bureau work with juveniles, they are plainclothesmen—

A Yes. We don't want to embarrass the person we are going to see in his own neighborhood. So we go there in civilian clothes and in an unmarked car. We are going in to help this youngster. We are not going there to hinder or stigmatize him as a law violator or delinquent in his neighborhood.

Q What would be the objection if you wore a uniform or drove the usual marked car?

A There's your stigma of delinquency or trouble in a neighborhood. You know how the neighbors are—"The Johnson boy is in trouble again." "I wonder what's happened to the Jones boy. He's in trouble. The police are there."

This way, if we go in with an unmarked car and civilian clothes, they don't know who it is. We go there primarily to help this youngster and nobody should know anything about it. It is a confidential way of meeting the family on a friendly basis in helping them with their problems. If we can do that, I think we can establish a better relationship with the parents, as we have here in Milwaukee. People call us now, where they were afraid to call the police department before. They call us now when they are beginning to have trouble with their children, and that's a good point.

Q Are the juvenile courts helping to control delinquency? Are they co-operating with the police?

A There, again, there comes this conflict of the social agency and the law-enforcement agencies and the courts. I've been in some cities where I've noticed the juvenile court does a light slapping-on-the-wrist job to the kid that should have been given a little more consideration as to a more severe probation program or else institutional treatment. And others, of course, do a much more effective job.

USING COURT RECORDS—

Q Are the police given access to the records of the children who have been committed to the juvenile court?

A We have a very fine liaison with our juvenile court. We can call them and get any record we want on any child, and we, in turn, give them all our records.

Q That kind of co-operation is unusual, isn't it?

A It's a very good relationship. We exchange records, we exchange information, we exchange ideas, and that makes for a good program.

Q Do you send all of your juvenile-delinquency cases to the juvenile court?

A No, we don't. We probably send only a third of them over there. Out of over 15,000 in 1953, only 5,068 went to children's court.

Q You handle the rest of them yourselves?

A Yes, that's right.

Q What do you do with them?

A We usually call the boys in for an interview, or else we go into the home. We try to find out what the boy wants, what he needs. If he needs a social outlet, we refer him to a social center, some group-work agency—Boy Scouts, Boys' Club, etc. If it's a financial condition in the home, we refer him to family service. If it's a marital problem, regarding his parents, we refer the family to our family court for possible help there. We try to remedy the situation which the boy is suffering from. Usually, it is that kind of condition that causes the boy to get in trouble.

Q Do you keep records of all these cases that you handle?

A Oh, yes, we do.

Q Are they kept in such a way they cannot be used against the boy in later years?

A Only with the reports that go to children's court. The one third that go to juvenile court, they are the official juvenile-court records. We are given a copy of it, and the original goes to children's court. The other two thirds are kept in the bureau here. If nothing happens to that boy after that first initial contact, when he reaches 18 years of age that card is destroyed.

Q There's no police record on him after that?

A After he is 18, we have no further jurisdiction. He is no longer a child. He is an adult. He is treated as an adult, and that record cannot be used against him.

AN ADULT: WHEN?—

Q At what age do the adult courts take over the cases of the juveniles?

A Here in Milwaukee, our district court has jurisdiction of boys 16 years of age and over. That means 16 to 18 for felony cases only.

Q And then everyone 18 and above goes to the adult court—

A Yes.

Q Don't you think 18 is a fairly young age at which the adult courts can take jurisdiction? Many places don't give the adult courts jurisdiction until the offender is over 21—

A Well, that certainly wouldn't work here. I'm sure that the other courts are finding difficulty with those young offenders from 18 to 21. Somewhere along the line, you've got to get a little tough with some of those people that steal cars, get involved in sex misconduct and perversion, burglary, armed robbery, etc. He's just as much a criminal as the 30-year-old. He can kill a person just as easily as a 25 and 30-year-old person. And he should be treated similarly.

Q Why shouldn't the juvenile court handle serious violations by youngsters in their late teens?

A Juvenile court ordinarily is less punitive than the higher court. Their philosophy, of course, is not punishment but rehabilitation. Some of these kids you can't rehabilitate.

Q You think there is an age at which you have to stop thinking about rehabilitation and start punishing?

A Yes, where there's a pattern of serious criminality. Beyond that, you have to give some other kind of treatment, just as the doctor changes his treatment for cancer, polio, or any other illness. We must work with our youngsters in eliminating the vicious type, the progressive and the repeater from the ranks of our criminal files and give more emphasis to this young first offender, guilty of minor offenses. That is what we in law enforcement are trying to do.

Q What would you do about the older and tougher teenagers?

A We'd like to see, of course, as I said before, that the progressive type of criminal be put out of the way so we could place more emphasis on this young offender. Social workers, of course, think otherwise, I'm sure. They think every boy can be rehabilitated, every man. We don't think so. We've got quite a long history of statistics to prove that that just can't be done. We believe that the young offender, the first offender, needs more attention, and that is where we're trying to stress most of our effort.

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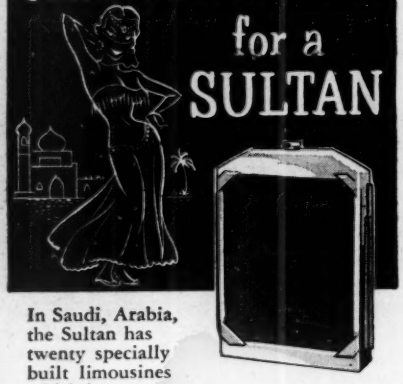

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We've Been Asked:

ABOUT CENSUS OF BUSINESS

- **Three million companies and individuals are being checked in censuses of business, manufacturing and mining now getting under way.**
- **Final tabulation of replies will give an up-to-date picture of many American industries.**

Start of a new business census raises the question: What are businessmen required to tell?

They will have to tell all about their business, its setup and operations. They will have to say how many employes they have and what they are paid. Also, the Census Bureau wants to know about annual sales and receipts, inventories and credit sales. Other questions deal with ownership—whether a business is a corporation, partnership or individually owned. A complete picture of each firm is called for. Factories and mines must say how much water is used.

Are all businesses covered by the census?

Most businesses are, but not all. Actually, this is a series of three separate censuses. They are the census of business, covering retail and wholesale establishments, service firms, theaters and other amusement places, hotels, tourist courts and such; the census of manufactures, affecting 310,000 manufacturers and producers in 450 industries; and the census of mineral industries, involving mines, gas and oil producers and quarries. Not covered by the censuses are transportation, real estate, banking and some other businesses.

Do businessmen have to answer questions when asked?

Yes, that's required by law. The law provides a penalty for deliberately refusing to reply to these census questionnaires; the maximum is a fine of $500 and 60 days in jail. The penalty for intentionally making false answers is much more severe.

Will not a businessman give his competitors information about his private operations?

The Census Bureau emphasizes that all information in the questionnaires is confidential. This information will be released to the public only in the form of reports that will not reveal anything about individual businesses.

What are the purposes of the censuses?

The answers form the basis of many census reports and statistics for business executives and other groups. Businessmen use these facts in planning advertising and sales campaigns, looking for new markets for their products, planning expansions of plants and operations. Also using the census reports are market-research and advertising agencies, trade associations, farm organizations and labor unions.

Didn't the Administration drop these censuses?

Yes. The Republican Administration and Congress, looking around for places to cut back on Government activities, dropped these three censuses which were scheduled by law to be taken in 1954 to cover 1953 operations. Then, business groups and other interested persons raised such an objection that Congress reversed itself. It appropriated about 8.5 millions to provide for the censuses this year to cover 1954 activities.

How are these canvasses conducted?

Most of the censuses are handled by questionnaires sent out by mail. The Census Bureau gets names of firms from the Internal Revenue Service, Social Security records and its own files. For small businesses with no paid employes, the information for the Census of Business comes from Internal Revenue returns, and no questionnaires are required.

When will the reports be ready?

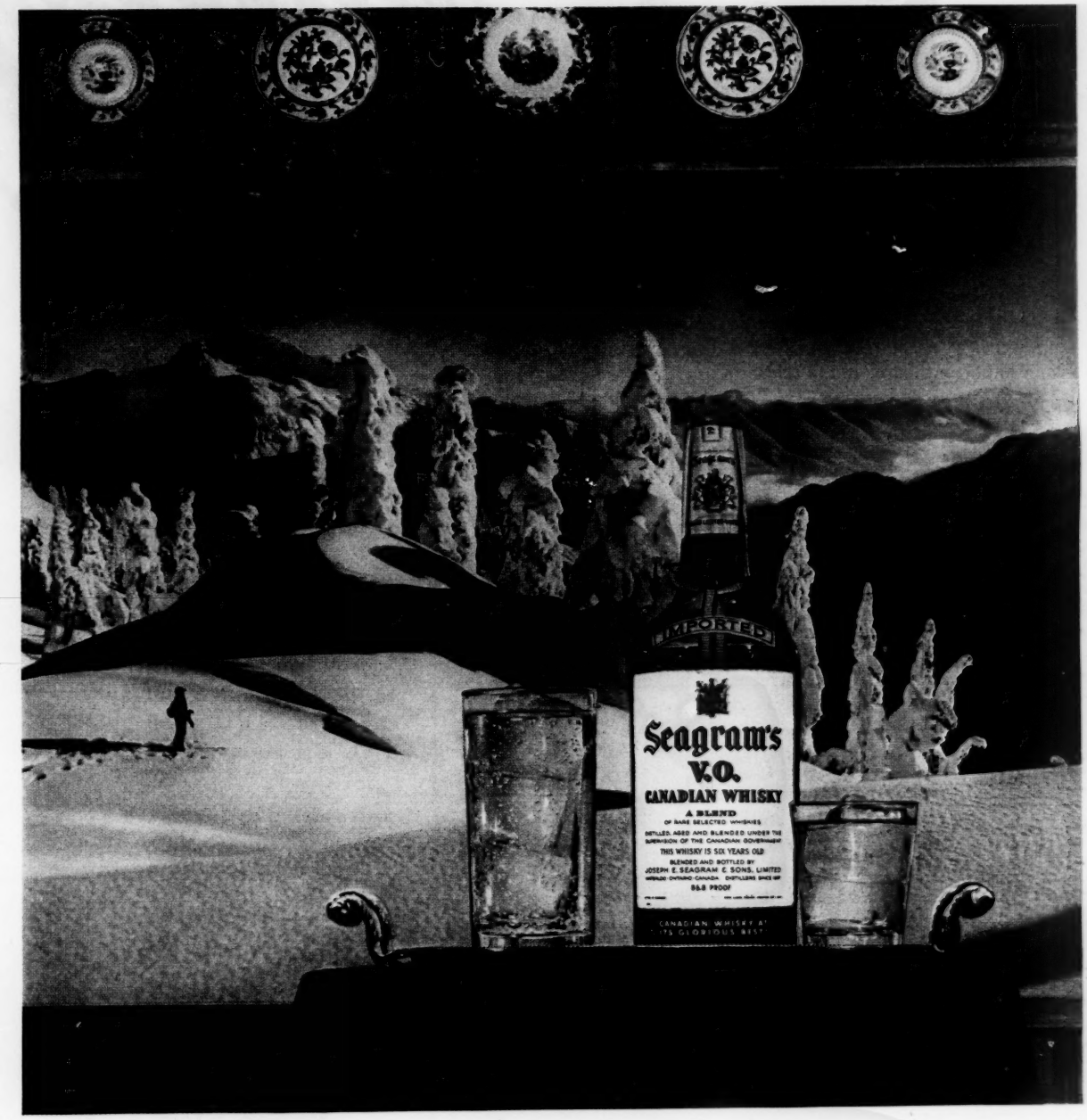
First reports will be released late this year, and others will be ready early in 1956. Persons receiving questionnaires are asked to return them within 30 days.

What about last year's farm census?

That still is being tabulated. The first reports, by counties, are expected to be released between February 15 and March 1.

When were the business censuses first taken?

The first of these canvasses, involving manufacturers, was taken in 1810. This was followed by the first canvass of the mineral industry in 1840 and the first business-establishment count in 1930. The last previous censuses were taken for the following years: business, 1948; manufacturers, 1947, and minerals, 1939.



Known by the Company it Keeps

Seagram's VO

SEAGRAM DISTILLERS COMPANY, NEW YORK CITY. 86.8 PROOF, CANADIAN WHISKY—
A BLEND...OF RARE SELECTED WHISKIES • SIX YEARS OLD

From Every Standpoint / output · size · efficiency

Chrysler Industrial V-8 Engines are the best power you can install

Chrysler Industrial V-8 Engines are . . . pound for pound . . . the world's most powerful gasoline industrial engines.

To prove that statement—let's look at the facts. In the charts below, we compare Chrysler Ind. 24A V-8 Engine with similarly equipped products of five principal competitors. Information on each competitive engine is based upon factory specifications. Check the Chrysler advantages—each of them is an important factor in the selection of a power plant.

Engine	Horsepower and Piston Displacement	Pounds per Horsepower	Fuel Consumption pounds per BHP per hour	Horsepower per Cubic Inch Displacement	
Engine A	110 at 2200 RPM 358 cu. in.	(Stripped Engine) 7.38	.54	.307	**CHRYSLER ADVANTAGES OVER ENGINE A** . . . delivers 18 more horsepower . . . weighs 96 pounds less with 24% less weight per horsepower . . . uses 7.5% less fuel at average operating speed . . . delivers 26% more horsepower per cubic inch displacement
Chrysler Model Ind. 24A	128 at 2200 RPM 331 cu. in.	(Stripped Engine) 5.58	.50	.387	
Engine B	104 at 2400 RPM* 330 cu. in.	(Stripped Engine) 6.92	(Information not available)	.315	**CHRYSLER ADVANTAGES OVER ENGINE B** . . . delivers 34 more horsepower . . . weighs 5 pounds less with 25% less weight per horsepower . . . delivers 32% more horsepower per cubic inch displacement
Chrysler Model Ind. 24A	138 at 2400 RPM 331 cu. in.	(Stripped Engine) 5.18	.50	.416	
Engine C	99 at 2200 RPM 320 cu. in.	(Stripped Engine) 7.64	.56	.309	**CHRYSLER ADVANTAGES OVER ENGINE C** . . . delivers 29 more horsepower . . . weighs 60 pounds less with 27% less weight per horsepower . . . uses 10.5% less fuel at average operating speed . . . delivers 25% more horsepower per cubic inch displacement
Chrysler Model Ind. 24A	128 at 2200 RPM 331 cu. in.	(Stripped Engine) 5.58	.50	.387	
Engine D	117 at 2200 RPM 317 cu. in.	6.5**	.50	.369	**CHRYSLER ADVANTAGES OVER ENGINE D** . . . delivers 11 more horsepower . . . weighs 19 pounds more *but* with 6% less weight per horsepower . . . delivers 5% more horsepower per cubic inch displacement
Chrysler Model Ind. 24A	128 at 2200 RPM 331 cu. in.	6.1**	.50	.387	
Engine E	97 at 2200 RPM 372 cu. in.	(Complete Engine) 12.85	.58	.260	**CHRYSLER ADVANTAGES OVER ENGINE E** . . . delivers 31 more horsepower . . . weighs 395 pounds less with 48.7% less weight per horsepower . . . uses 14% less fuel at average operating speed . . . delivers 49% more horsepower per cubic inch displacement
Chrysler Model Ind. 24A	128 at 2200 RPM 331 cu. in.	(Complete Engine) 6.6	.50	.387	

**Information not available at 2200 RPM* ***Complete engine less flywheel housing*

These are not just "paper advantages". They show up on irrigation pumps, in construction and road building equipment, in farm combines, and in many other applications. Thanks to modern engineering, hemispherical-design combustion chamber, short-stroke, low-friction construction, Chrysler offers durability and output in amazingly small, lightweight power packages.

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See a dealer or write: Dept. 41, Industrial Engine Division, Chrysler Corporation, Trenton, Michigan.

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Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

NEW WAY TO GET AROUND DEBT LIMITS

Concern over the budget and federal debt are not to hold back Government plans for big spending.

Ways are being found to spend without making the budget and debt seem bigger. People are asking if this is just a trick of bookkeeping.

The Republicans are tending to go back to some financing ideas of the Hoover Administration and the early New Deal.

The Government, harassed by money problems, is turning to a seemingly magical way of raising huge sums.

The magic lies in this: People get fresh billions of dollars of Government help. But the cost does not swell the federal debt; the Treasury doesn't bump up against the debt limit imposed by Congress. Spending figures in the budget are not much affected; in fact, a showing of economy may be possible.

Thus, the Government finds a way to borrow and spend freely without appearing to be spendthrift.

The accompanying chart shows you, in outline, how this is done and where the system may be used in the future: to help pay for homes, roads, schools, power projects, Government loans and perhaps many other programs.

Latest Style In Raising Money

How the plan operates—

- **New public authority is set up**
- **Authority sells bonds to investors, spends the money**
- **Federal Government backs bonds, makes them easy to sell**
- **But bonds do not show up in federal debt**
- **Money spent may be kept outside federal budget**

This plan is being used now to build low-rent housing projects

An easy way to approach the new setup is to consider first the typical way a federal project is handled. If money has to be borrowed to pay for it, the Treasury sells I.O.U.'s, which are part of the federal debt. Money spent on the project is part of the Treasury's regular budget.

Money for housing. Now, for contrast, see how the big low-rent, public-housing program is being handled.

The Federal Government set up a Public Housing Administration. Congress told this agency to subsidize local housing projects and promised to provide money if needed.

Actual building of housing units is done by local authorities, set up by city governments but subject to federal supervision. These authorities raise and spend money for building; they do it by selling bonds to the public. The federal subsidy gives assurance the bonds will be paid, so investors feel confident in buying them.

Investors also get this break: Interest from bonds of local governments is not subject to federal income tax.

(Continued on page 80)

The Same Plan Is in the Works—

To raise more than $25 billion for highways

To repay the Treasury $2.4 billion advanced for home mortgages

To pay for new power equipment for Tennessee Valley Authority

This Plan Also May Be Used—

To pay for other power plants and irrigation projects

To make Government loans to U.S. business and to foreign countries

To build public schools

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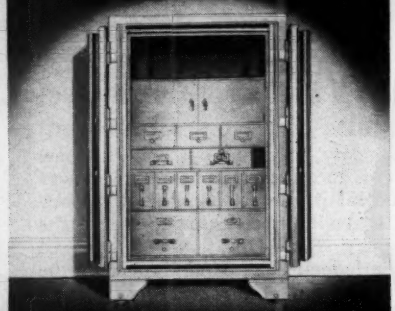
Sleep well nights?



You shouldn't—unless you keep your business records in a modern safe bearing the Underwriters' Laboratories label. 43 out of 100 firms losing their records in a fire never reopen. Don't risk being one of the 43—entrust your records to a Meilink "A" Label Safe, the ultimate in protection. At your Meilink dealer or write Meilink Steel Safe Company, Toledo 6, Ohio.

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Easy-financing plan in use for housing program, urged for highways, water and power projects . . .

Because of that exemption, investors are willing to accept a low rate of interest, lower than would be paid on Treasury bonds. Because the bonds are not issued by the Treasury, they are not counted in the federal debt.

But that is a technicality. The U. S. Attorney General has ruled that the Government has a firm commitment to back up the bonds through subsidies. This promise, he said, is just as binding as the obligation of the Government on a Treasury bond.

Now you see results of that system: Cities get money cheaply. Investors get ironclad security. The Treasury avoids an increase in the federal debt. And money spent in construction doesn't show up in the federal budget.

In this manner, more than 1.6 billion dollars has been raised since 1948 and is being spent in this one operation—without counting toward the debt or the budget. And the end is not yet.

Money for mortgages. In another case, the system is being used to bring about an apparent reduction in the debt. The agency involved is the Federal National Mortgage Association, known as "Fannie Mae," which buys Government-guaranteed mortgages from investors.

At present, the Treasury has 2.4 billions tied up in this operation. That money is reflected in the debt.

Now, new money is to be brought in directly from private investors. They will be asked to buy FNMA securities, starting with 500 millions this month.

The securities will carry a statement that they are not obligations of the U. S. Government; therefore they will not be counted as federal debt. Instead, they will take the place of the Treasury's investment and thus make it possible for the Treasury to reduce its debt.

Will the Treasury really be less in debt than before? Not really, for it stands squarely behind the new FNMA securities. The law says the FNMA can draw on the Treasury any time it needs money to pay its debts. The Government also stands behind all the mortgages FNMA acquires with its funds.

In time, it is expected that FNMA will function not only outside the debt but also outside the budget. This is counted on to put a better face on a type of real estate financing that has been criticized for being costly and inflationary.

Money for roads. A new plan is under study to raise 25 billions for roads, in addition to money already being provided. Congress will be asked to set up a new federal-highway corporation, which would sell bonds to the public.

These bonds also would not be counted in the debt; they would not say on their face that they are obligations of the U. S. Government. Yet, there would be a promise by Congress to provide the money to pay them off.

Money paid back to the bondholders would show up in the budget. But the amount actually spent each year on roads would be much greater. Thus, the budget would show less than the real outlay.

Money for power plants. The Tennessee Valley Authority is pondering a plan to do its own borrowing from the public to get money for new power equipment. In the past, such funds came from the Treasury.

Government economists say there is no reason why some similar setup couldn't be used for other water and power projects. A river-development plan might be turned over to a new public corporation. The Treasury would pay in the money needed to take care of flood control and navigation, for which there is no repayment. Money for power and irrigation would be raised by the corporation through sales of bonds to the public; fees charged for electricity and water would be pledged to repay bondholders.

These plans would raise money outside the federal debt. Yet everyone would expect the Federal Government to make good, if necessary.

Money for buildings. Other officials are weighing a plan for a 50 per cent increase in school construction. They think part of the additional money could be raised by State school-building authorities, with federal backing.

There is no reason why hospitals couldn't be built in similar fashion, without swelling the federal debt.

Still another arrangement is being tried out for other public buildings. The Government will arrange to have private persons build post offices and other structures with their own money. The Government will lease them and eventually take title.

That system permits the Government to pay for its new buildings in annual rents, instead of having to put up the whole cost at the time of construction. Private capital is used and returned on the installment plan.

That also keeps the budget down, keeps the debt down.

There you have the latest fashion in money raising, but a similar method has been tried before.

Republicans also used a plan of the same type back in 1932 in setting up the Reconstruction Finance Corporation.

. . . TVA may face stricter accounting

RFC sold securities to the public, which were not counted in the public debt, though they were backed by the Treasury. Money paid out by RFC was not counted in the budget.

Democrats later set up other agencies in this manner. The Export-Import Bank had power to operate this way, but didn't choose to.

Precedents exist. So, there are past examples for handling Government loans outside the budget and outside the debt.

Then, for a time, the fashion went into disrepute.

The Treasury objected to sale of securities by so many agencies. A rule was laid down that the Treasury would do all the borrowing and advance money to Government corporations as needed.

Objections from Congress, under the Democrats, led to including guaranteed obligations as part of the public debt, even when not issued by the Treasury. Spending of all Government corporations was brought into the budget.

Now, the policy is shifting back the other way.

Currently, the Eisenhower Administration is unable to balance the budget and is running close to the debt limit set by Congress. The limit is 281 billion dollars; on July 1, unless Congress postpones the change, the limit will drop to 275 billions. The debt now is more than 278 billions.

As a result, the Government is faced with a hard choice: cut costs, steering clear of new projects, or find some way around the limit. The round-about approach now being adopted is called a "subterfuge" by some officials.

But officials also see a real advantage in it, when applied to power and water projects. They think it will make for a better comparison between TVA and the private utilities. In the past, TVA has repaid little of the money invested in it by the Treasury; in the future, it will have to worry about repayment or refunding, just like a private company.

On the other hand, critics of the new financing methods point out: It will be harder to find out just what the Government really owes and how much spending is being done or inspired by the Government.

The real significance of the trend, to friends and foes alike, is this: A way is being opened for big Government undertakings, costing billions of dollars. Results could be a bigger boom in public works, easier credit for weak businesses, more liberal loans for countries in Asia and Latin America. The debt and the budget could become less of a limitation.

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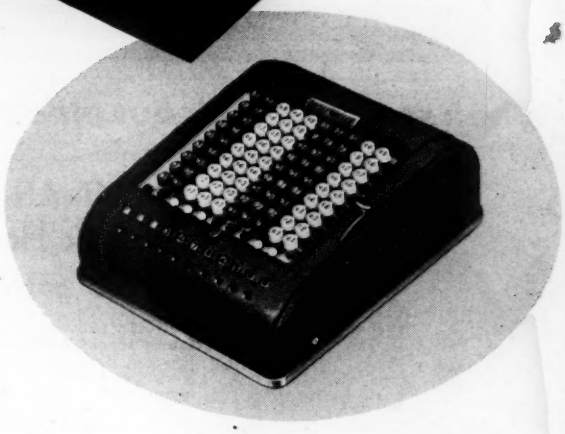

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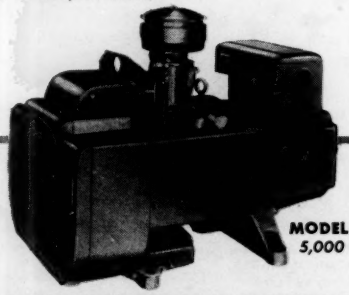

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News - Lines

What you as a businessman ☑ CAN and ☒ CANNOT do as a result of federal court and administrative decisions:

☑ **STAMP TAX.** You can continue to follow the old rules contained in Regulations 71 in regard to the stamp tax on sales and transfers of capital stock. The Internal Revenue Service continues these rules in effect, pending the issuance of new regulations under the Internal Revenue Act of 1954.

* * *

☑ **SECURITIES.** You can look for a tight policy on enforcement and inspection procedures by the Securities and Exchange Commission in 1955. In a statement, the SEC Chairman also promises further steps to clarify and consolidate forms and rules.

* * *

☑ **SMALL BUSINESSES.** You can get information from field offices of the Small Business Administration on how to raise money for small firms through issuance of securities. A program to provide such information is announced jointly by SBA and SEC.

* * *

☑ **EXPORT CONTROLS.** You can now ship about 35 additional items to Hong Kong without getting an export license from the Commerce Department. Nonstrategic commodities for which the licensing requirement is dropped include certain wood and sawmill products and rubber items such as bathing suits, atomizer bulbs, sprays and aprons.

* * *

☑ **GOVERNMENT CONTRACTS.** You can collect in full under a Government contract in which your accepted bid erroneously gave a lower unit price but the correct total price. The Comptroller General holds that a contractor is entitled to full payment even though the invitation to bid said that the unit price would govern in case of error in total price.

* * *

☑ **BRITISH IMPORTS.** You can count on extension of the British Token Import Plan. The Commerce Department reports that this program will be continued through 1955, with quotas the same as in 1954. Under the plan, which was established in 1946, eligible American firms are allowed to send to Brit-

ain token shipments of certain goods whose importation from dollar sources is generally prohibited.

* * *

☑ **FOREIGN TRADE.** You can now obtain another publication in the Bureau of Foreign Commerce series on world-trade information. The new publication, "Basic Data on the Economy of Costa Rica," can be bought for 10 cents from the Government Printing Office, Washington 25, D. C., or from any field office of the Commerce Department.

* * *

☑ **CONTRACT CLAIMS.** You can deal with a newly established board of contract appeals in regard to your contract claims against the Department of the Interior. The board is set up by the Secretary of the Interior.

* * *

☒ **INCOME TAX.** You cannot, in making out the income tax return of a bank, avoid treating as taxable income the unclaimed and dormant deposits that the bank transfers to its surplus. The U. S. Tax Court rules that because depositors might later claim these funds does not prevent their being treated as income.

* * *

☒ **DISCHARGES.** You cannot, as an employer, expect to escape liability for the discriminatory firing of an employe just because a union brought pressure on you to discharge him. A court of appeals upholds the Labor Board in its finding that the employer and union were jointly liable for reimbursement of this discharged worker.

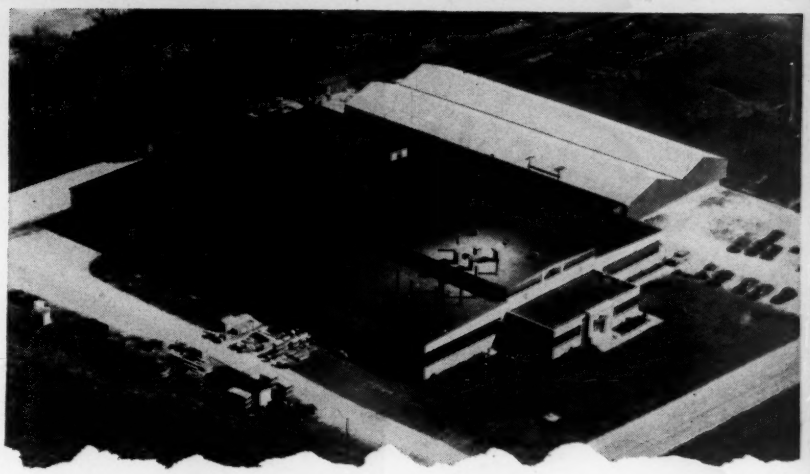
* * *

☒ **HIRING.** You cannot legally refuse to hire a worker because he does not have the endorsement of a union. NLRB holds that an employer by such an act encouraged union membership in violation of the Taft-Hartley law. It makes no difference, in this case, that the worker was a member of the union involved.

* * *

☒ **SOCIAL SECURITY TAX.** You cannot, as a practicing professional engineer, fail to pay a self-employment tax on your income from your general contracting business. The Internal Revenue Service rules that such income is not exempt from this tax.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*



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Vice-President, Production
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Day Brite is but one of numerous nationally known industries operating successfully in a state which offers not only a hand of welcome but which affords many other advantages of a strategic, centrally located Southern site.

These advantages include growing Southern markets, large reservoir of intelligent, cooperative labor, abundant fuel and electricity and immense stores of raw materials.

One advantage not to be found elsewhere is Mississippi's BAWI (balance agriculture with industry) plan under which political subdivisions may vote bonds to finance the purchase of sites and the construction of buildings for lease to new or expanding industries.

We invite your further investigation of Mississippi and its BAWI plan. Your request for information will be handled promptly and treated with confidence.

A DECADE OF PROGRESS IN MISSISSIPPI
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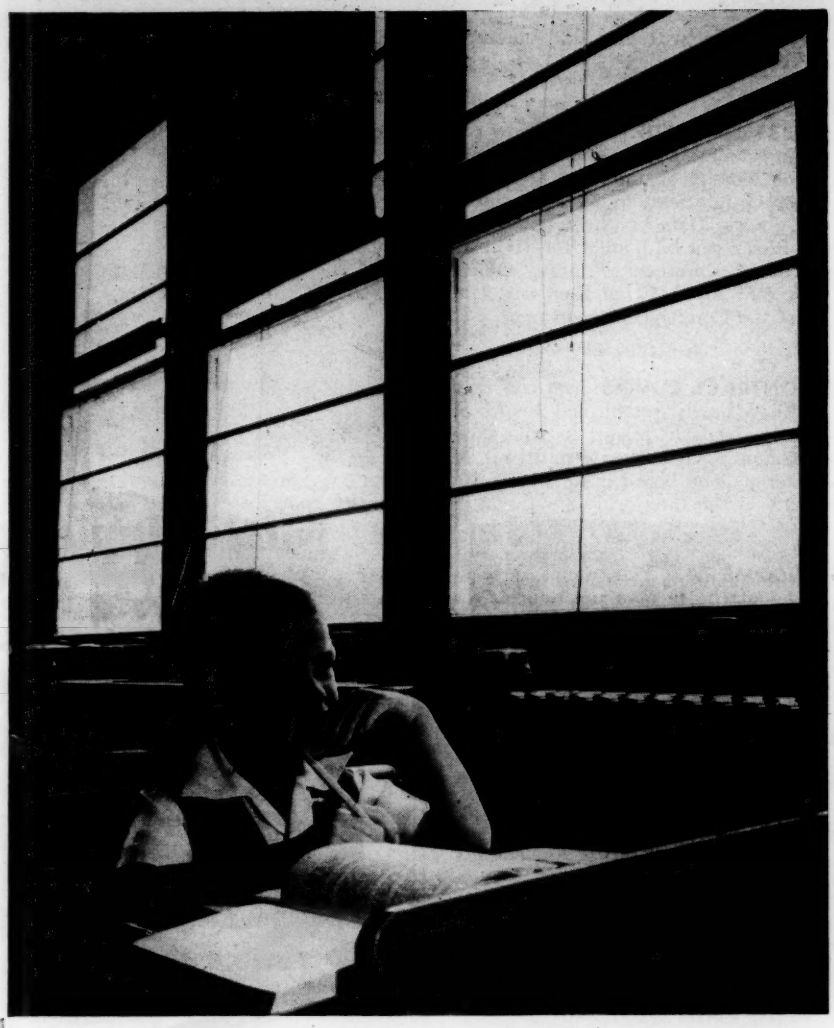
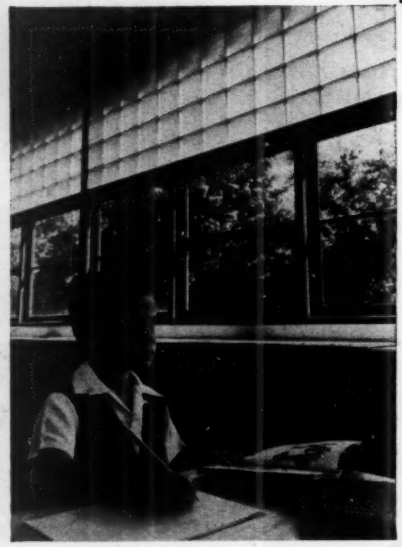
Remember when you were in school?





BACK in the "good old days" everything was brown—the floors, the walls and the desks. When you entered the classroom in the morning, your nose twitched with the odor of varnish that seemed never to dry. Kids next to the windows squirmed in the heat of the sun, and squinted against the glare. But things are different now.

School authorities now recognize the importance of comfort and good daylighting. And they don't have to build "luxury" schools to get them. The brown paint is gone – replaced with light, easy-on-the-eye colors. PC Glass Blocks have completely solved the daylighting problem.

These are *functional* glass blocks that contain built-in prisms to throw the light up onto the ceiling where it bounces down, diffused and soft. Newest of all are PC Suntrol Blocks that contain a pale green diffusing screen to reduce heat and glare in unusually bright locations.

It's *fun* to go to school today, thanks in part to the wonderful new building materials* that improve comfort, and livability. Want more information on PC Glass Blocks for any type of building? Write Pittsburgh Corning Corporation, Dept. US-15, One Gateway Center, Pittsburgh 22, Pennsylvania.

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IN YOUR PERSONAL PLANNING

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If you're puzzled by the new tax law, or aren't sure about provisions that may affect you, don't overlook this source of official information:

TAX BOOKLET. The Internal Revenue Service's latest edition of its annual income tax booklet now is coming off the presses. It's the Government's official explanation--done without complicated tax language or legal gobbledy-gook--of how tax laws and regulations apply to you in making out your income tax return. A sort of "big brother" to the instruction sheets that accompany your tax forms, it goes by the title of "Your Federal Income Tax."

Explaining the wholesale changes Congress made in rewriting the tax laws, the booklet uses more pages this year than ever--190. And it has a new "visible index" arrangement to make it easier to find answers to your tax problems.

PRICES AND ORDERS. The booklet sells for 25 cents, can be ordered now from the Government Printing Office, Washington 25, D.C. It also may be bought at any Department of Commerce field office. Bookshops usually are willing to handle an order for you, and some newspapers get copies to sell as a service to readers. In addition, many public libraries will have the booklet available soon for reference purposes.

AUTO INSURANCE. Sometimes damage to your car resulting from a collision may be covered by a comprehensive automobile insurance policy--even though such policies ordinarily exclude payment for collision losses. There's a case in point in a decision by the Appellate Division of the New York Supreme Court. It involved an automobile that hit a puddle of water on the road, veered into a bank, and overturned. The court ruled that the insurance company had to foot the damage bill. This was because the policy had a clause--standard in many policies--that said losses caused by missiles, falling objects or water were not to be considered losses from a collision.

CONTRIBUTIONS. The Internal Revenue Service clears up a point in the new tax law about income tax deductions for charitable contributions. Under the old law, the deduction was limited to 20 per cent of your income. The new law allows an additional 10 per cent in the case of contributions to churches, and to certain hospitals and educational organizations. Now IRS rules that the latter include, among others, hospitals and schools run by federal, State or local governments. There had been some question about whether these would qualify.

(over)

DIVIDEND CHECKS. The federal tax collector gets overruled on his attempt to reverse a recent Tax Court decision that involves year-end dividends you receive from federal savings and loan associations. The Third Circuit Court of Appeals says it agrees with this lower-court view: When the association as a regular practice mails out dividend checks near the end of one year and you receive them at the start of the next, the dividends are taxable as income in the year the check is received. This view upset a long-standing rule by the tax collector that held they were taxable in the year declared.

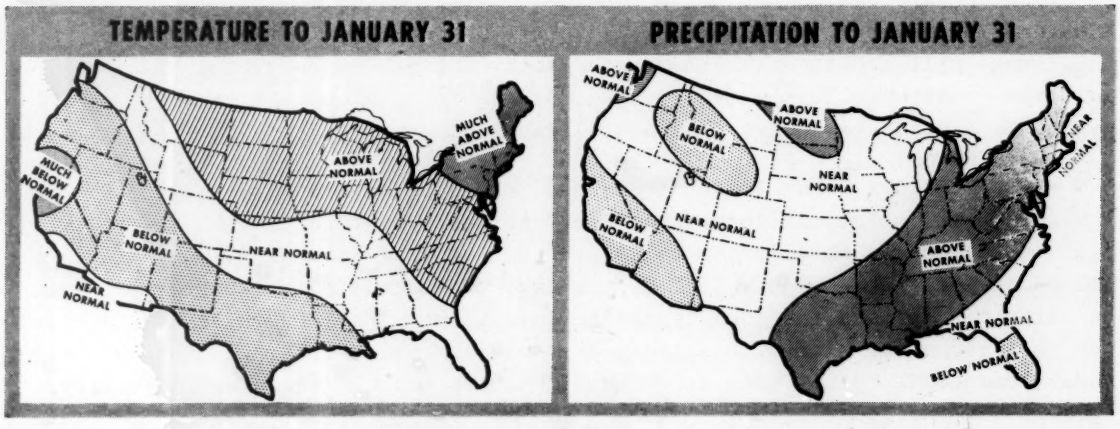
INVENTIONS. Like to toy with inventing? Looking for a product to create? The Department of Commerce has a new list of problems the armed services want solved. They range from needs like special-purpose plastics to an accurate method of measuring odors. Get details from the Commerce Department's office of Technical Services, Washington 25, D.C.

BURNS AND WOUNDS. Bandages that stick to burns and wounds and cause excruciating pain when pulled off may be headed the way of the dodo bird. Two new nonstick dressings are being tried in hospitals and doctors' offices, should reach your drugstore soon. One has a porous plastic film that allows drainage, yet won't adhere to healing tissues. The other is an emulsion-coated rayon fabric that can be peeled easily and painlessly from sensitive new flesh.

PAY DURING ILLNESS. Question: How are pay checks to be affected by the new tax law's provision that wages up to $100 a week that you receive while off your job because of accident or illness are not subject to income tax?

The answer: It depends on your boss. The tax collector, so far, is leaving it up to the employer to decide whether he will or won't take withholding taxes out of the payments you get while off the job under a company's accident or health plan. If he doesn't withhold the tax, he is required to show separately the amount of the wages thus involved on the W-2 form he gives you at taxpaying time. If he does withhold, it is up to you to claim credit for the excess tax thus paid. You do that when you file your income tax return; both the long and the short form of the return have a special line for just that purpose.

WEATHER. Topsy-turvy weather--warmer than usual in the North, below normal in Southern areas--is seen in these maps based on the Weather Bureau's outlook:



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90-CENT WAGE FLOOR—WHO GAINS?

Raises to Be Scattered Through Industries

President Eisenhower, in asking Congress for a higher minimum wage, calls attention to this situation:

Workers making less than 90 cents an hour are a small proportion of all who have jobs. But 1.3 million will get raises if Ike's changes go through.

A 90-cent minimum is less than half the average wage of factory workers in the U. S.

In his message on the state of the union, President Eisenhower last week had this to say:

"In the past five years we have had economic growth which will support an increase in the federal minimum wage. In the light of present economic conditions, I recommend its increase to 90 cents an hour. I also recommend that many others, at present excluded, be given the protection of a minimum wage."

That was all Mr. Eisenhower had to say on the subject. The next move was up to Congress. But, in those few words, the President started members of Congress on a hunt for answers to many questions.

How many workers now are making less than 90 cents an hour? Who is covered by the Wage-Hour law, and who isn't? What workers, now excluded, does the President have in mind for coverage? Why ask for 90 cents an hour, instead of $1 or $1.25, as some others are proposing?

What follows is an attempt to answer these and some other questions raised by the President's recommendation.

• The minimum wage for workers covered by the law now is fixed at 75 cents an hour. Of those covered, the Labor Department estimates that 1.3 million are earning less than 90 cents an hour. Union leaders—seeking a higher minimum and disparaging the number that 90 cents would affect—dispute this figure, contend there are not that many. Raises, if granted to those now covered, would range from 1 cent to 15 cents an hour.

• Most of those earning less than 90 cents are employed in the South.

• Labor Department officials report that no one industry would be affected on any large scale by the higher minimum. To some extent, workers in sawmills, textile plants, footwear plants and various others would get increases, the Department says.

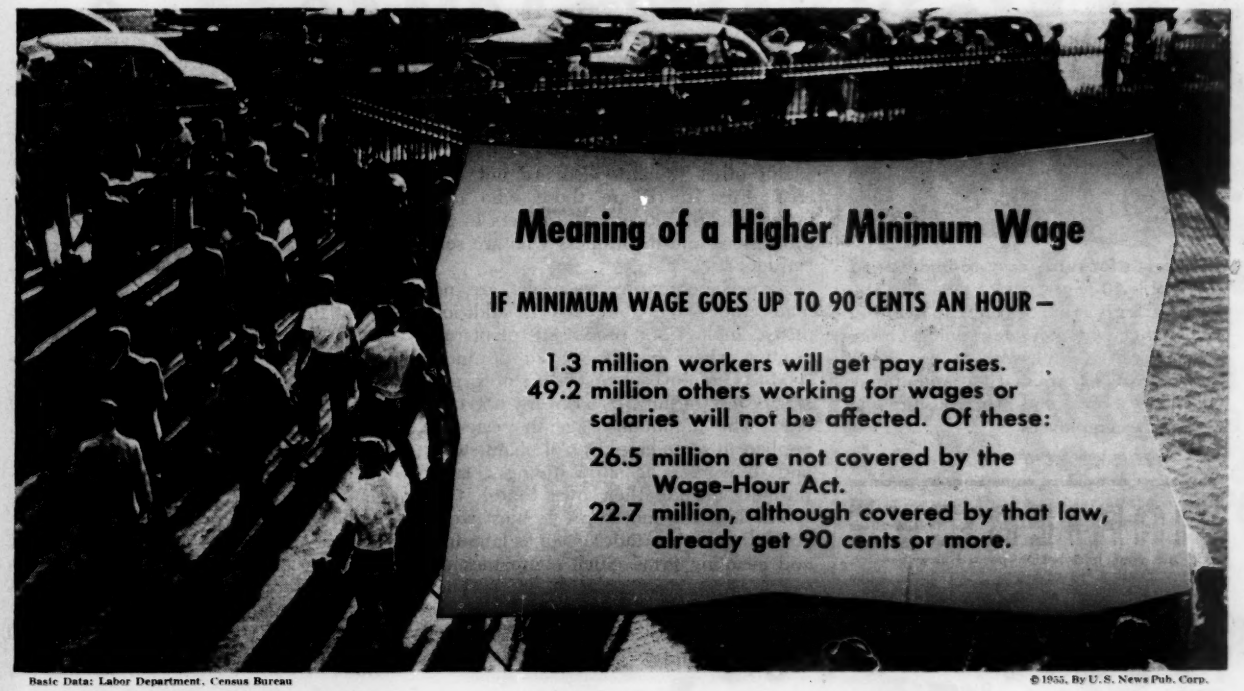
• The vast majority of workers in the U. S.—those covered by the Wage-Hour law and those not—are making a good deal more than 90 cents an hour. The average factory wage is above $1.80—more than twice that much.

• The Wage-Hour law applies only to industries involved in interstate commerce and even some of them are exempted. As a result, the minimum-wage law applies to less than half of all workers. In industries covered by the law, 22.7 million workers are paid more than 90 cents an hour. Millions not covered also top that figure.

• No change in the minimum has been made since 1949. At that time it was raised from 40 cents. Congress started the minimum wage off at 25 cents in 1938, with gradual stepping up to a figure of 40 cents in 1945. Unions for some time have been demanding an increase to $1.25 an hour.

Where raises are likely. If the minimum is fixed at 90 cents, many of the

(Continued on page 90)


Meaning of a Higher Minimum Wage
IF MINIMUM WAGE GOES UP TO 90 CENTS AN HOUR—
1.3 million workers will get pay raises.
49.2 million others working for wages or salaries will not be affected. Of these:
26.5 million are not covered by the Wage-Hour Act.
22.7 million, although covered by that law, already get 90 cents or more.

Basic Data: Labor Department, Census Bureau

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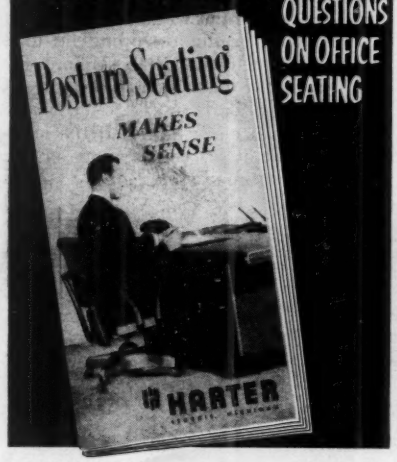

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President's message didn't spell out which groups he would bring under minimum-wage coverage . . .

resulting pay increases are expected to go to workers in Southern plants. Some raises also will go to employes of small factories in outlying areas of the North, according to union officials.

Southern sawmills would need to give some raises. About two thirds of the workers in Southern lumbering industry now get less than 90 cents an hour, wage-scale surveys have shown. These mills employ more than 170,000 workers.

However, employes in the logging end of the lumbering business sometimes are not covered by the law. An exemption voted in 1949 excludes certain employes from its protection if their employer has fewer than 13 workers.

Less impact for some. A change in the law will not have as great effect on other industries, wage surveys indicate, but workers will be due for a raise in various areas.

Employes getting less than 90 cents are to be found, the surveys show, in plants making work clothes, children's clothes and cheaper grades of house dresses. Raises will be due in some cases in shoe plants, smaller textile mills, leather plants and cigar plants. Most workers in those industries, however, are above the proposed rate, and many factories have no workers below 90 cents.

Where law doesn't apply. When Congress revised the Wage-Hour Act in 1949, it brought some additional workers under the Act and took others out. The Labor Department estimates that, of about 50.5 million persons who work for wages or salaries and thus may be affected by future changes in the law, 24 million workers are covered and 26.5 million are not.

But other millions also are not covered. First there are those who own farms, and the doctors and others in the professions and in business who are self-employed.

Farm laborers, for example, are not under the Wage-Hour Act. In addition, many employes of processing plants are exempt where handling farm products.

Most employes of retail stores and service establishments also are not covered. The minimum wage, however, is applied to some employes of chain stores and to workers in stores doing a large business outside their own State.

The law does not apply to most workers in the service trades, such as laundries and cleaning firms. Such companies doing a large business across State lines, on the other hand, are covered.

The presidential message did not tell Congress which of the excluded groups the Administration would like to bring under the minimum wage. There has been talk of bringing retail and service employes under the Act but, as a starter, at a lower rate than 90 cents.

Chances of success. The proposals for a higher minimum and for wider coverage are not assured of clear sailing in Congress. Already there is opposition from some Southern members, who fear that the higher minimum would cause workers to leave the farm, for one thing.

One argument made against a new rate is that boosting the lower-paid groups to 90 cents will mean additional increases among the higher-paid workers in the shop.

Ike Trimming Labor-Law Goal?

President Eisenhower again is asking Congress to make some changes in the Taft-Hartley Act.

In his message on the state of the union, Mr. Eisenhower says:

"I renew my recommendation of last year for amendment of the Labor Management Relations Act of 1947 to further the basic objectives of that statute. I especially call to the attention of the Congress amendments dealing with the right of economic strikers to vote in representation elections and the need for equalizing the obligation under the Act to file disclaimers of Communist affiliation."

This brief reference to Taft-Hartley set members of Congress to wondering how far the President expected Congress to go in changing the law. A year ago, in a separate message on the labor act, Mr. Eisenhower submitted a list of 14 suggested revisions, none of which was adopted.

The President's new proposals to Congress include only two of his 1954 ideas:

"Economic strikers" now are denied the right to vote in bargaining elections that are held during strikes, if they have been replaced by new workers. This applies in strikes over wages, but not in strikes involving so-called unfair labor practices by employers. Unions charge that this provision of the Taft-Hartley Act enables employers to wreck unions by obtaining bargaining elections at which replacements can outvote striking union members.

Last year, Mr. Eisenhower suggested that no new elections be permitted by

. . . Two amendments may satisfy White House

the National Labor Relations Board for at least four months after the start of a strike. Unions were not satisfied with this proposal.

Mr. Eisenhower's second proposed change refers to non-Communist affidavits. Officers of a union now are required to sign such affidavits before their union can use the NLRB. Last year, the President proposed that employers, too, be required to sign such affidavits. It is presumed that he has the same change in mind this year.

There have been hints that President Eisenhower would be content with these two amendments if other changes cannot be obtained in 1955.

The missing items. No mention is made in this year's message of a strike-vote proposal offered in 1954, and attacked by union leaders. This called for an employe election, under Government auspices, to determine if workers want to strike.

Other 1954 proposals called for loosening of Taft-Hartley provisions against secondary boycotts; tightening controls on union welfare funds; allowing fact-finding boards to recommend terms to settle a dispute threatening a national emergency.

States, under the 1954 proposals, would get more power to legislate on labor disputes involving local emergencies, such as a public-utility strike.

Last year's suggestions also called for amendments to spell out the rights of employers and unions in the matter of free speech; to simplify requirements for reports that unions must file with the Government; to relieve unions of legal blame for violence by individual members when not under union orders. Another idea was that neither unions nor employers should be allowed to reopen contracts before their expiration date, to force new demands on the other side.

All of these proposals are missing from this year's message.

Mr. Eisenhower in this year's message notified Congress that the Administration would propose a change in overtime laws relating to construction of public works. While these laws require payment of overtime rates after eight hours a day, on public works, they do not force a similar payment after 40 hours a week, as does the Wage-Hour Act.

Unions have been complaining that workers on some federal-building jobs are working seven days a week without overtime pay. On other projects, that happen to be covered by the Wage-Hour Act, too, overtime is paid after 40 hours.

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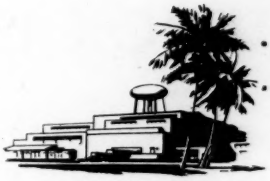

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★ *State of the Union—*

EISENHOWER SCANS FUTURE: "THE OUTLOOK IS GOOD"

Message Says Defenses Are Now Adjusted to Nation's Need—Annual Output Can Reach 500 Billions in 10 Years

Following is the full text of President Eisenhower's message on the state of the union as delivered to Congress on Jan. 6, 1955:

MR. PRESIDENT, MR. SPEAKER, LADIES AND GENTLEMEN OF THE CONGRESS, MY FRIENDS:

First, I do most sincerely thank you from the bottom of my heart for the cordiality of your welcome, and I extend cordial greetings to the 84th Congress. We shall have much to do together; I am sure that we shall get it done—and that we shall do it in harmony and good will.

And here, I'm certain, you will permit me this morning a personal allusion. The district where I was born has been represented in this Congress for more years than he cares to remember, I suppose, by our distinguished Speaker. Today is his birthday, and I want to join with the rest of you in felicitating him and wishing him many happy returns of the day.

Now, ladies and gentlemen, at the outset, I believe it would be well to remind ourselves of this great fundamental of our national life: our common belief that every human being is divinely endowed with dignity and with worth and inalienable rights. This faith, with its corollary—that to grow and flourish people must be free—shapes the interests and the aspirations of every American.

From this deep faith have evolved three main purposes of our Federal Government:

First, to maintain justice and freedom among ourselves and, to champion them for others so that we may work effectively for enduring peace;

Second, to help keep our economy vigorous and expanding, thus sustaining our international strength and assuring better jobs, better living, better opportunities for every citizen;

And, third, to concern ourselves with the human problems of our people so that every American may have the opportunity to lead a healthy, productive and rewarding life.

"FREEDOM, JUSTICE, PEACE"

It is under these three headings that I shall present to you today, ladies and gentlemen, the thoughts that I believe appropriate to this occasion. Now, foremost among these broad purposes of Government is our support of freedom, justice and peace.

It is of the utmost importance then that each of us understand the true nature of the world struggle now taking place.

It is not a struggle merely of economic theories, or of forms of government, or of military power. The issue is the true nature of man. Either man is the creature whom the Psalmist described as "a little lower than the angels," crowned with glory and honor, holding "dominion over the works" of his Creator; or man is a soulless, animated machine to be enslaved, used and consumed by the state for its own glorification.

It is, therefore, a struggle which goes to the roots of the human spirit, and its shadow falls across the long sweep of man's destiny. This prize, so precious, so fraught with ultimate meaning, is the true object of the contending forces in the world.

In the past year, there has been progress justifying hope for the ultimate rule of freedom and justice in the world. Free nations are collectively stronger than at any time in recent years.

Just as nations of this Hemisphere, in the historic Caracas and Rio conferences, have closed ranks against imperialistic Communism and strengthened their economic ties, so free nations elsewhere have forged new bonds of unity.

Recent agreements between Turkey and Pakistan have laid a foundation for increased strength in the Middle East. With our understanding support, Egypt and Britain, Yugoslavia and Italy, Britain and Iran have resolved dangerous differences. The security of the Mediterranean has been enhanced by an alliance among Greece, Turkey and Yugoslavia. Agreements in Western Europe have paved the way for unity to replace past divisions which have undermined Europe's economic and military vitality. The defense of the West appears likely at last to include a free, democratic Germany participating as an equal in the councils of NATO [North Atlantic Treaty Organization].

In Asia and the Pacific, the pending Manila Pact supplements our treaties with Australia, New Zealand, the Philippines, Korea and Japan and our prospective treaty with the Republic of China. These pacts stand as solemn warning that future military aggression and subversion against the free nations of Asia will meet united response. The Pacific Charter, adopted at Manila, is a milestone in the development of human freedom and self-government in the Pacific area.

Under the auspices of the United Nations, there is promise of progress in our country's plan for the peaceful use of atomic energy.

THE PRESIDENT PROPOSES, AMONG OTHER THINGS—

- ★ **Talks with Russia, if they will lead to a just and secure peace.**
- ★ **No tax cuts this year; perhaps in 1956, on corporate income and excises.**
- ★ **Higher minimum wage; pay raise for all in Government, Congressmen included.**
- ★ **Lower tariffs; new steps to expand trade and foreign investment.**
- ★ **More public works: roads, schools, reclamation, housing, hospitals.**
- ★ **Steps to train more doctors, improve health insurance, cut stream pollution.**

Finally, today the world is at peace. It is, to be sure, an insecure peace. Yet all humanity finds hope in the simple fact that for an appreciable time there has been no active battlefield on earth. This same fact inspires us to work all the more effectively with other nations for the well-being, the freedom, the dignity, of every human on earth. In the ultimate achievement of this great purpose lies the only sure promise of security and permanent peace for any nation, including our own.

These developments are heartening, but sobering problems remain.

The massive military machines and ambitions of the Soviet-Communist bloc still create uneasiness in the world. All of us are aware of the continuing reliance of the Soviet Communists on military force, of the power of their weapons, of their present resistance to realistic armament limitation, and of their continuing effort to dominate or intimidate free nations on their periphery. Their steadily growing power includes an increasing strength in nuclear weapons. This power, combined with the proclaimed intentions of the Communist leaders to communize the world, is the threat confronting us today.

To protect our nations and our peoples from the catastrophe of a nuclear holocaust, free nations must maintain countervailing military power to persuade the Communists of the futility of seeking to advance their ends through aggression. If Communist rulers understand that America's response to aggression will be swift and decisive—that never shall we buy peace at the expense of honor or faith—they will be powerfully deterred from launching a military venture engulfing their own peoples and many others in disaster. Now this, of course, is a form of world stalemate. But in this stalemate each of us, every American, may and must exercise his high duty to strive in every honorable way for enduring peace.

The military threat is but one menace to our freedom and security. We must not only deter aggression; we must also frustrate the effort of Communists to gain their goals by subversion. To this end, free nations must maintain and reinforce their cohesion, their internal security, their political and economic vitality, and their faith in freedom.

In such a world, America's course is clear:

We must strengthen the collective defense under the United Nations Charter and gird ourselves with sufficient military strength and productive capacity to discourage resort to war and protect our nation's vital interests.

We must continue to support and strengthen the United Nations. At this moment, by vote of the United Nations General Assembly, its Secretary-General is in Communist China on a mission of deepest concern to all Americans: seeking the release of our never-to-be-forgotten American aviators and all other United Nations prisoners.

We must also encourage the efforts being made in the United Nations to limit armaments and to harness the atom to peaceful use.

We must expand international trade and investment and assist friendly nations whose own best efforts are still insufficient to provide the strength essential to the security of the free world.

We must be willing to use the processes of negotiation whenever they will advance the cause of just and secure peace.

In respect to all these matters, we must, through a vigorous information program, keep the peoples of the world truthfully advised of our actions and purposes. This problem has been attacked with new vigor during the past months. I urge that the Congress give its earnest attention to the great advantages that can accrue to our country through the successful and expanded operations of this information program.

We must carry forward our educational exchange program.

Now to advance these many efforts, the Congress must act in this session on appropriations, legislation, and treaties. Today I shall mention especially our foreign economic and military programs.

The recent economic progress in many free nations has been most heartening. The productivity of labor and the production of goods and services are increasing in ever-widening areas. There is a growing will to improve the living standards of all men. This progress is important to all our people. It promises us allies who are strong and self-reliant; it promises a growing world market for the products of our mines, our factories, and our farms.

But only through steady effort can we continue this progress. Barriers still impede trade and the flow of capital needed to develop each nation's human and material resources. Wise reduction of these barriers is a long-term objective of our foreign economic policy—a policy of an evolu-

tionary and selective nature, assuring broad benefits to our own and to other peoples.

We must gradually reduce certain tariff obstacles to trade. These actions should, of course, be accomplished by a similar lowering of trade barriers by other nations, so that we may move steadily together toward economic advantage for all. We must further simplify our customs procedures. We must facilitate the flow of capital and continue technical assistance, both directly and through the United Nations. This must go to less developed countries to strengthen their independence and raise their living standards. Many another step must be taken in the free world to release forces of private initiative.

On January 10, by special message, I shall submit specific recommendations for carrying forward the legislative phases of our foreign economic policy.

Our many efforts to build a better world include the maintenance of our military strength. This is a vast undertaking. Over 4 million Americans—servicemen and civilians—are on the rolls of the defense establishment. During the past two years, by attacking duplication and overstaffing, by improved procurement and inventory controls, by concentrating on the essentials, many billions of dollars have been saved in our defense activities. I should like to mention certain fundamentals underlying this vast program.

First, I repeat that a realistic limitation of armaments and an enduring, just peace remain our national goals; we maintain powerful military forces because there is no present alternative. They are forces designed for deterrent and defensive purposes, able instantly to strike back with destructive power in response to any attack.

Second, we must stay alert to the fact that undue reliance on one weapon or preparation for only one kind of warfare simply invites an enemy to resort to another. We must, therefore, keep in our armed forces balance and flexibility adequate to our needs.

Third, to keep our armed forces abreast of the advances of science, our military planning must be flexible enough to utilize the new weapons and techniques which flow ever more speedily from our research and development programs. The forthcoming military budget therefore emphasizes modern airpower in the Air Force, Navy and Marine Corps and increases the emphasis on new weapons, especially those of rapid and destructive striking power. It seeks continuous modernization of our Army. It accelerates the continental defense program and the build-up of ready military reserve forces. It continues a vigorous program of stockpiling strategic materials and strengthening our mobilization base. It provides for reduction of forces in certain categories and their expansion in others, to fit them to the military realities of our time. These emphases in our defense planning have been made at my personal direction after long and thoughtful, even prayerful, study. In my judgment, they will give our nation a defense accurately adjusted to the national need.

Fourth, pending a world agreement on armament limitation, we must continue to expand our supplies of nuclear weapons for our land, naval and air forces. We shall continue our encouraging progress in the peaceful use of atomic power.

Fifth, in the administration of these costly programs, we demand the utmost efficiency. We must assure our people not only of adequate protection but also of a defense that can and will be resolutely carried forward from year to year until the threat of aggression has disappeared.

To help maintain this kind of armed strength and to improve its efficiency, I urge the enactment of several important measures.

The first concerns the Selective Service Act which expires next June 30th. For the foreseeable future, our standing forces must remain much larger than voluntary methods can sustain. We must, therefore, extend the statutory authority to induct men for two years of military service.

The second kind of measure concerns the rapid turnover of our most experienced servicemen. This process seriously weakens the combat readiness of our armed forces and is unnecessarily and extravagantly expensive. To encourage more trained servicemen to remain in uniform, I shall, on the thirteenth of this month, propose a number of measures to increase the attractions of a military career. These measures will include more adequate medical care for dependents, survivors' benefits, more and better housing, and selective adjustments in military pay and allowances.

And, third, I shall present a program to rebuild and strengthen the civilian components of our armed forces. Because it will go far in assuring fair and equitable participation in military service, it is of particular importance to our combat veterans. In keeping with our historic military policy, the program is designed to build civilian reserves capable of effective military service in an emergency in lieu of maintaining active forces in excess of the nation's immediate need. Through this program, the individual will be able to discharge one of his obligations to the nation. Equally, the nation will be able to discharge one of its obligations to a potential future serviceman; namely, to give him the greatest possible chance of survival in time of war.

Effective defense requires continuance of our aggressive attack on subversion at home. In this effort we have, in the past two years, made real progress. FBI investigations have been reinforced by a new Internal Security Division in the Department of Justice; the security activities of the Immigration and Naturalization Service have been revitalized; an improved security system is in effect throughout the Government; the Department of Justice and the FBI have been armed with new legal weapons forged by the 83d Congress.

We shall continue to ferret out and to destroy Communist subversion.

We shall, in the process, carefully preserve our traditions and the basic rights of every citizen.

Our civil-defense program is also a key element in the protection of our country. We are developing co-operative methods with State Governors, mayors, and voluntary citizen groups, in building the civil defense. The significance of this organization in time of war is obvious; its swift assistance in disaster areas last year proved its importance in time of peace.

An industry capable of rapid expansion and essential materials and facilities available in time of emergency are indispensable. I urge, therefore, a two-year extension of the Defense Production Act and Title II of the First War Powers Act of 1941. These are cornerstones of our program for the development of an adequate mobilization base.

At this point, I should like to make this additional observation:

Our quest for peace and freedom necessarily presumes that we who hold positions of public trust must rise above self and section—that we must subordinate to the general good our partisan, our personal pride and prejudice. Tirelessly, with united purpose, we must fortify the material and spiritual foundations of this land of freedom. As never before, there is need for unhesitating co-operation among the branches of our Government.

At this time the executive and legislative branches are under the management of different political parties. This fact places both parties on trial before the American people.

In less perilous days of the past, division of governmental responsibility among our great parties has at times produced indecision approaching futility. We must not let this happen in our time. We must avoid a paralysis of the will for peace and international security.

Now, in the traditionally bipartisan areas—military security and foreign relations—I can report to you that I have already, with the present leaders of this Congress, exchanged assurances of unreserved co-operation. Yet, the security of our country requires more than maintenance of military strength and success in foreign affairs; these vital matters are in turn dependent upon concerted and vigorous action in a number of supporting programs.

I say, therefore, to the 84th Congress:

In all areas basic to the strength of America, there will be—to the extent I can insure them—co-operative, constructive relations between the executive and legislative branches of this Government. Let the general good be our yardstick on every great issue of our time. In that pledge I should include also the similar pledge of every head of department or independent agency in this Government.

"STRONG, GROWING ECONOMY"

Our efforts to defend our freedom and to secure a just peace are, of course, inseparable from the second great purpose of our Government: to help maintain a strong, growing economy—an economy vigorous and free, in which there are ever-increasing opportunities, just rewards for effort, and a stable prosperity that is widely shared.

In the past two years, many important governmental actions helped our economy adjust to conditions of peace. Controls were removed from wages, prices and materials. Tax revisions encouraged increased private spending and employment. Federal expenditures were sharply reduced, making possible a record tax cut. These actions, together with flexible monetary and debt-management policies, helped to halt inflation and stabilize the value of the dollar. A program of partnership in resource development was begun. Social-security and unemployment-insurance laws were broadened. New laws started the process of balancing farm production with farm markets. Shipbuilding and stockpiling programs strengthened key sectors of the economy, while improving our mobilization base. A new housing law brought impressive progress in an area fundamental to our economic strength and closed loopholes in the old laws permitting dishonest manipulations. Many of these programs are just beginning to exert their stimulating effect upon the whole economy and upon specific communities and industries throughout the country.

Nineteen fifty-four was one of the most prosperous years in our history. Business activity surges with new strength. Production is rising. Employment is high. Toward the end of last year average weekly wages in manufacturing were higher than ever before. Personal income after taxes is at a record level. So is consumer spending. Construction activity is reaching new peaks. Export demand for our goods is strong. State and local-government expenditures on public works are rising. Savings are high, and credit is readily available.

So, today, the transition to a peacetime economy is largely behind us.

The economic outlook is good.

Now the many promising factors I have mentioned do not guarantee sustained economic expansion; but they do give us a strong position from which to carry forward our economic growth. If we as a people act wisely, our annual national output can within a decade rise from its present level of about $360 billion to $500 billion, measured in dollars of stable buying power.

The budget message on January 17, the economic report on the twentieth of the month, and several special messages will set forth in detail programs to foster the growth of our economy and to protect the integrity of the people's money. Today I discuss these only in general terms.

Government efficiency and economy remain essential to progress toward a balanced budget. More than 10 billion dollars were cut from the spending program first proposed in the budget of Jan. 9, 1953. So expenditures of that year were six and a half billions below those of the previous year. In the current fiscal year, Government spending will be nearly four and a half billion dollars less than in any fiscal year ending last June 30. New spending authority has been held below expenditures, reducing this Government obligations accumulated over the years.

Last year we had a large tax cut and, for the first time in 75 years, a basic revision of tax laws. It is now clear that defense and other essential Government costs must remain at a level precluding further tax reductions this year. Although excise and corporation income taxes must, therefore, be continued at their present rates, further tax cuts will be possible when justified by lower expenditures and by revenue increases arising from the nation's economic growth. I am hopeful that such reductions can be made next year.

At the foundation of our economic growth are the raw materials and energy produced from our minerals and fuels, lands and forests, and water resources. With respect to them, I believe that the nation must adhere to three fundamental policies: first, to develop, wisely use and to conserve basic resources from generation to generation; second, to follow the historic pattern of developing these resources primarily by private citizens under fair provisions of law, including restraints for proper conservation; and third, to treat resource development as a partnership undertaking—a partnership in which the participation of private citizens and State and local governments is as necessary as is federal participation.

This policy has encouraged local public bodies and private citizens to plan their own power sources. Increasing numbers of applications to the Federal Power Commission to conduct surveys and prepare plans for power development are evidence of local response.

The Federal Government and local and private organizations have been encouraged to co-ordinate their developments. This is important because federal hydroelectric developments supply but a very small fraction of the nation's power needs. Such partnership projects as Priest Rapids in Washington, the Coosa River development in Alabama, the Markham Ferry in Oklahoma already have the approval of this Congress. This year justifiable projects of a similar nature will again have Administration support.

Now, of course, the Federal Government must shoulder its own partnership obligations by undertaking projects of such complexity and size that their success requires federal development. In keeping with this principle, I again urge the Congress to approve the development of the Upper Colorado River basin to conserve and assure better use of precious water essential to the future of the West.

In addition, the 1956 budget will recommend appropriations to start six new reclamation projects and more than 30 new Corps of Engineers projects of varying size. Going projects and investigations of potential new resource developments will be, of course, continued.

A great need in this broad field is a nation-wide compre-

hensive water-resources policy firmly based in law. Such a policy is under preparation and when completed will be submitted to the Congress for its consideration.

Continued vigilance will be maintained over our fisheries, wildlife resources, the national parks and forests, and the public lands; and we shall continue to encourage an orderly development of the nation's mineral resources.

A modern highway system is essential to meet the needs of our growing population, our expanding economy, and our national security. We are accelerating our highway-improvement programs under existing State and federal laws and authorizations. But this effort will not in itself assure our people of an adequate system. This problem has been carefully considered by the Conference of State Governors and by a special advisory committee on a national highway program, composed of leading private citizens. I have received the recommendations of the Governors' Conference and will shortly receive the views of the special committee. Aided by their findings, I plan to submit on January 27th detailed recommendations which will meet our most pressing national highway needs.

In further recognition of the importance of transportation to our economic strength and security, the Administration, through a Cabinet committee, is thoroughly examining existing federal transportation policies to determine their effect on the adequacy of transportation services. This is the first such comprehensive review ever undertaken directly by the executive branch of the Government in modern times. We are not only examining major problems facing the various modes of transport; we are also studying closely the interrelationships of civilian and Government requirements for transportation. Legislation will be recommended to correct such policy deficiencies as we find.

The nation's public-works activities are tremendous in scope. It is estimated that more than $12 billions will be expended in 1955 for the development of land, water and other resources; control of floods, navigation and harbor improvements; construction of roads, schools, and municipal water supplies, and disposal of domestic and industrial wastes. Many of the federal, State and local agencies responsible for this work are highly efficient. But public-works activities are closely interrelated and have a substantial influence on the growth of the country. Moreover, in times of threatening economic contraction, they may become a valuable sustaining force. Efficient planning and execution of the nation's public works require the co-operation of federal activities and effective co-operation with State and local governments.

The Council of Economic Advisers, through its public-works planning section, has made important advances during the past year in effecting this co-ordination and co-operation. To give more emphasis and continuity to this essential co-ordination, I shall request the Congress to appropriate funds for the support of an Office of Co-ordinator of Public Works in the Executive Office of the President.

Now a most significant element in our growing economy is an agriculture that is stable, prosperous and free. The problems of our agriculture have evolved over many years and cannot be solved overnight; nevertheless, governmental actions last year hold great promise of fostering a better balance between production and markets and, consequently, a better and more stable income for farmers.

Through vigorous administration and new authority provided by the 83d Congress, surplus farm products are now moving into consumption. From February 1953 through November 1954, the rate of increase in Government-held surpluses has been reduced by our moving into use more than 2.3 billion dollars' worth of Government-owned farm commodities. Domestic consumption remains high, and farm exports will be higher than last year. As a result of the flexibility provided by the Agricultural Act of 1954, we can move toward less restrictive acreage controls.

Thus, farm production is gradually adjusting to markets, markets are being expanded, and stocks are moving into use. We can now look forward to an easing of the influences depressing farm prices, to reduced Government expenditures for purchase of surplus products, and to less federal intrusion into the lives and plans of our farm people. Agricultural programs have been redirected toward better balance, greater stability and sustained prosperity. We are headed in the right direction. I urgently recommend to the Congress that we continue resolutely on this road.

Greater attention must be directed to the needs of low-income farm families. Twenty-eight per cent of our farm-operator families have net cash incomes of less than $1,000 per year. I shall later submit recommendations designed to assure the steady alleviation of their most pressing concerns.

Because drought also remains a serious agricultural problem, I shall recommend legislation to strengthen federal disaster-assistance programs. This legislation will seek an improved appraisal of need, better adjustment of the various programs to local conditions, and a more equitable sharing of costs between the States and the Federal Government.

The prosperity of our small business enterprises is an indispensable element in the maintenance of our economic strength. Creation of the Small Business Administration and tax laws facilitating small-business expansion are but two of the many steps the Government has taken to encourage our smaller enterprises. I recommend that the Congress extend the Small Business Act of 1953 now due to expire next June.

"HEALTH, WELL-BEING"

We come now to the third great purpose of our Government—its concern for the health, productivity and well-being of all our people.

Every citizen wants to give full expression to his God-given talents and abilities and to have the recognition and respect accorded under our great traditions. Americans want a good material standard of living—not simply to accumulate possessions, but to fulfill a legitimate aspiration for an environment in which their families may live meaningful and happy lives. Our people are committed, therefore, to the creation and preservation of opportunity for every citizen, opportunity to lead a more rewarding life. They are equally committed to the alleviation of misfortune and distress among their fellow citizens.

The aspirations of most of our people can best be fulfilled through their own enterprise and initiative, without Government interference. This Administration, therefore, follows two simple rules: first, the Federal Government should perform an essential task in this field only when it cannot otherwise be adequately performed: and second, in performing that task, our Government must not impair the self-respect, the freedom and the incentive of the individual. So long as these two rules are observed, the Government can and must fully meet its obligations without creating a dependent population or a domineering bureaucracy.

During the past two years, notable advances were made in these functions of Government. Protection of old-age and survivors' insurance was extended to an additional 10 million of our people by action of Congress. Legislation was enacted to provide unemployment-insurance protection to some 4

million additional Americans. Stabilization of living costs and the halting of inflation protected the value of pensions and savings. A broad program now helps to bring good homes within the reach of the great majority of our people. With the States, we are providing more clinics, hospitals, and nursing homes for patients with chronic illnesses. Also with the States, we have begun a great and fruitful expansion in the restoration of disabled persons to employment and to useful lives. In the areas of federal responsibility, we have made historic progress in eliminating from among our people demeaning practices based on race or color.

All of us may be proud of these achievements. Yet essential federal tasks remain to be done.

As part of our efforts to provide decent, safe and sanitary housing for low-income families, we must carry forward the housing program authorized during the past Congress. We must also authorize contracts for a firm program of 35,000 additional public housing units in each of the next two fiscal years. This program will meet the most pressing obligations of the Federal Government into the 1958 fiscal year for planning and building public housing. By that time the private building industry, aided by the Housing Act of 1954, will have had the opportunity to assume its full role in providing adequate housing for low-income families.

The health of our people is one of our most precious assets. Knowledge available to combat disease and disability should be fully used. Otherwise, we as a people are guilty not only of neglect of human suffering but also of wasting our national strength.

Advances in medical care are not available to enough of our citizens. Our nation must do more to reduce the impact of accident and disease. Two fundamental problems confront us: first, high and ever-rising costs of health services; second, serious gaps and shortages in those services.

By special message of January 24, I shall propose a coordinated program to strengthen and improve existing health services. This program will continue to reject socialized medicine. It will emphasize individual and local responsibility. Under it the Federal Government will neither dominate nor direct, but it will serve as a helpful partner.

My recommendations will include a federal health-reinsurance service to encourage the development of better voluntary health-insurance coverage by private organizations. I shall recommend measures to improve the medical care of that group of our citizens who, because of need, receive federal-State public assistance.

To reduce the gaps in these services, I shall propose:

New measures to facilitate construction of needed health facilities and help reduce shortages of trained health personnel;

Vigorous steps to combat the misery and national loss involved in mental illness;

Improved services for crippled children and for maternal and child health;

Better consumer protection under our existing pure-food and drug laws; and, finally,

Strengthened programs to combat the increasingly serious pollution of our rivers and streams and the growing problems of air pollution.

Last year's expansion of Social Security coverage and the new program of improved medical care for public-assistance recipients together suggest modification of the formula for federal sharing in old-age-assistance payments. I recommend modification of the formula where such payments will, in the future, supplement benefits received under the old-age and survivors' insurance system.

It is the right of every American, from childhood on, to have access to knowledge. The education of all our citizens is therefore imperative to the maintenance and invigoration of America's free institutions.

Today, we face grave educational problems. Up-to-date analyses of these problems and their solutions are being carried forward through the individual State conferences and the White House conferences to be completed this year.

However, such factors as population growth, additional responsibilities of schools, and increased and longer school attendance have produced an unprecedented classroom shortage. This shortage is of immediate concern to all of our people. Affirmative action must be taken now.

Without impairing in any way the responsibilities of our States, our localities, communities, or families, the Federal Government can and should serve as an effective agent in dealing with this problem. I shall forward a special message to the Congress on February 15, presenting an affirmative program dealing with this shortage.

To help the States do a better job, we must strengthen their resources for preventing and dealing with juvenile delinquency. I shall propose federal legislation to assist the States in dealing with this nation-wide problem. We shall carry forward the vigorous efforts of the Administration to improve the international control of the traffic in narcotics and, in co-operation with State and local agencies, to combat narcotic addiction in our own country.

I should like to speak to you now of additional matters of importance to all our people and especially to our wage earners.

During the past year certain industrial changes and the readjustment of the economy to conditions of peace brought unemployment and other difficulties to various localities and industries. These problems are engaging our most earnest attention. But, for the overwhelming majority of our working people, the past year has meant good jobs. Moreover, the earnings and savings of our wage earners are no longer depreciating in value. Because of co-operative relationships between labor and management, fewer working days were lost through strikes in 1954 than in any year in the past decade.

The outlook for our wage earners can be made still more promising by several legislative actions.

First, in the past five years we have had economic growth which will support an increase in the federal minimum wage. In the light of present economic conditions, I recommend its increase to 90 cents an hour. I also recommend that many others, at present excluded, be given the protection of a minimum wage.

Second, I renew my recommendation of last year for amendment of the Labor Management Relations Act of 1947 to further the basic objectives of that statute. I especially call to the attention of the Congress amendments dealing with the right of economic strikers to vote in representation elections and the need for equalizing the obligation under the Act to file disclaimers of Communist affiliation.

Third, the Administration will propose other important measures including occupational safety, workmen's compensation for longshoremen and harbor workers, and the "Eight Hour Laws" applicable to federal contractors. Legislation will also be proposed respecting nonoccupational-disability insurance and unemployment compensation in the District of Columbia.

On January 11 I shall propose a pay-adjustment plan for civilian employes outside the postal field service to correct inequities and increase individual pay rates. I shall also

recommend voluntary health insurance on a contributory basis for federal employes and their dependents. In keeping with the Group Life Insurance Act passed in the 83d Congress, this protection should be provided on the group-insurance principle and purchased from private facilities. Also on January 11 I shall recommend a modern pay plan, including pay increases, for postal field employes. As part of this program, and to carry forward our progress toward elimination of the large annual postal deficit, I shall renew my request for an increase in postal rates. Again I urge that in the future the fixing of rates be delegated to an impartial, independent body.

Needed improvements in survivor, disability, and retirement benefits for federal personnel have been extensively considered by an appropriate committee. The committee's proposals would strengthen and improve benefits for our career people in Government. I endorse their broad objectives. Full contributory coverage under old-age and survivors' insurance should be made available to all federal personnel, just as in private industry. For career military personnel, the protection of the old-age and survivors' insurance system would be an important and long-needed addition, especially to the present unequal and inadequate survivorship protection. The military retirement-pay system should remain separate and unchanged. Certain adjustments in the present civilian-personnel retirement systems will be needed. However, these systems also are a basic part of a total compensation and should be separately and independently retained.

I also urge the Congress to approve a long overdue increase in the salaries of members of Congress and of the federal judiciary. And in my opinion this raise should be substantial because I believe it should be to a level commensurate with their heavy responsibilities.

Our concern for the individual in our country requires that we consider several additional problems.

We must continue the program to help our Indian citizens improve their lot and make their full contribution to national life.

Two years ago I advised the Congress of injustices under existing immigration laws. Through humane administration, the Department of Justice is doing what it legally can to alleviate hardships. Clearance of aliens before arrival has been initiated, and except for criminal offenders, the imprisonment of aliens awaiting admission or deportation has been stopped. Certain provisions of law, however, have the effect of compelling action in respect to aliens which are inequitable in some instances and discriminatory in others. These provisions should be corrected in this session of the Congress.

As the complex problems of Alaska are resolved, that Territory should be expected to achieve statehood. In the meantime, there is no justification for deferring the admission to statehood of Hawaii. I again urge approval of this measure.

We have three splendid opportunities to demonstrate the strength of our belief in the right of suffrage. First, I again urge that a constitutional amendment be submitted to the States to reduce the voting age for federal elections. Second, I renew my request that the principle of self-government be extended and the right of suffrage granted to the citizens of the District of Columbia. Third, I again recommend that we work with the States to preserve the voting rights of citizens in the nation's service overseas.

In our determination to keep faith with those who in the past have met the highest call of citizenship, we now have under study the system of benefits for veterans and for surviving dependents of deceased veterans and servicemen. Studies will be undertaken to determine the need for measures to ease the readjustment to civilian life of men required to enter the armed forces for two years of service.

In the advancement of the various activities which will make our civilization endure and flourish, the Federal Government should do more to give official recognition to the importance of the arts and other cultural activities. I shall recommend the establishment of a Federal Advisory Commission on the Arts within the Department of Health, Education and Welfare, to advise the Federal Government on ways to encourage artistic and cultural endeavor and appreciation. I shall also propose that awards of merit be established whereby we can honor our fellow citizens who make great contributions to the advancement of our civilization and of this country.

Every citizen rightly expects efficient and economical administration of these many Governmental programs I have outlined today. I strongly recommend extension of the Reorganization Act and the law establishing the Commission on Intergovernmental Relations, both of which expire this spring. Thus the Congress will assure continuation of the excellent progress recently made in improving Government organization and administration. In this connection we are looking forward with great interest to the reports which will soon be going to the Congress from the Commission on Organization of the Executive Branch of the Government. I am sure that these studies made under the chairmanship of former President Herbert Hoover with the assistance of more than 200 distinguished citizens, will be of great value in paving the way toward more efficiency and economy in the Government.

"FAITH OF OUR PEOPLE"

And now, I return to the point at which I began—the faith of our people.

The many programs here summarized are, I believe, in full keeping with their needs, interests and aspirations. The obligations upon us are clear:

To labor earnestly, patiently, prayerfully, for peace, for freedom, for justice throughout the world;

To keep our economy vigorous and free, that our people may lead fuller, happier lives;

To advance, not merely by our words but by our acts, the determination of our Government that every citizen shall have opportunity to develop to his fullest capacity.

As we do these things, before us is a future filled with opportunity and with hope. That future will be ours if in our time we keep alive the patience, the courage, the confidence in tomorrow, the deep faith, of the millions who, in years past, made and preserved us this nation.

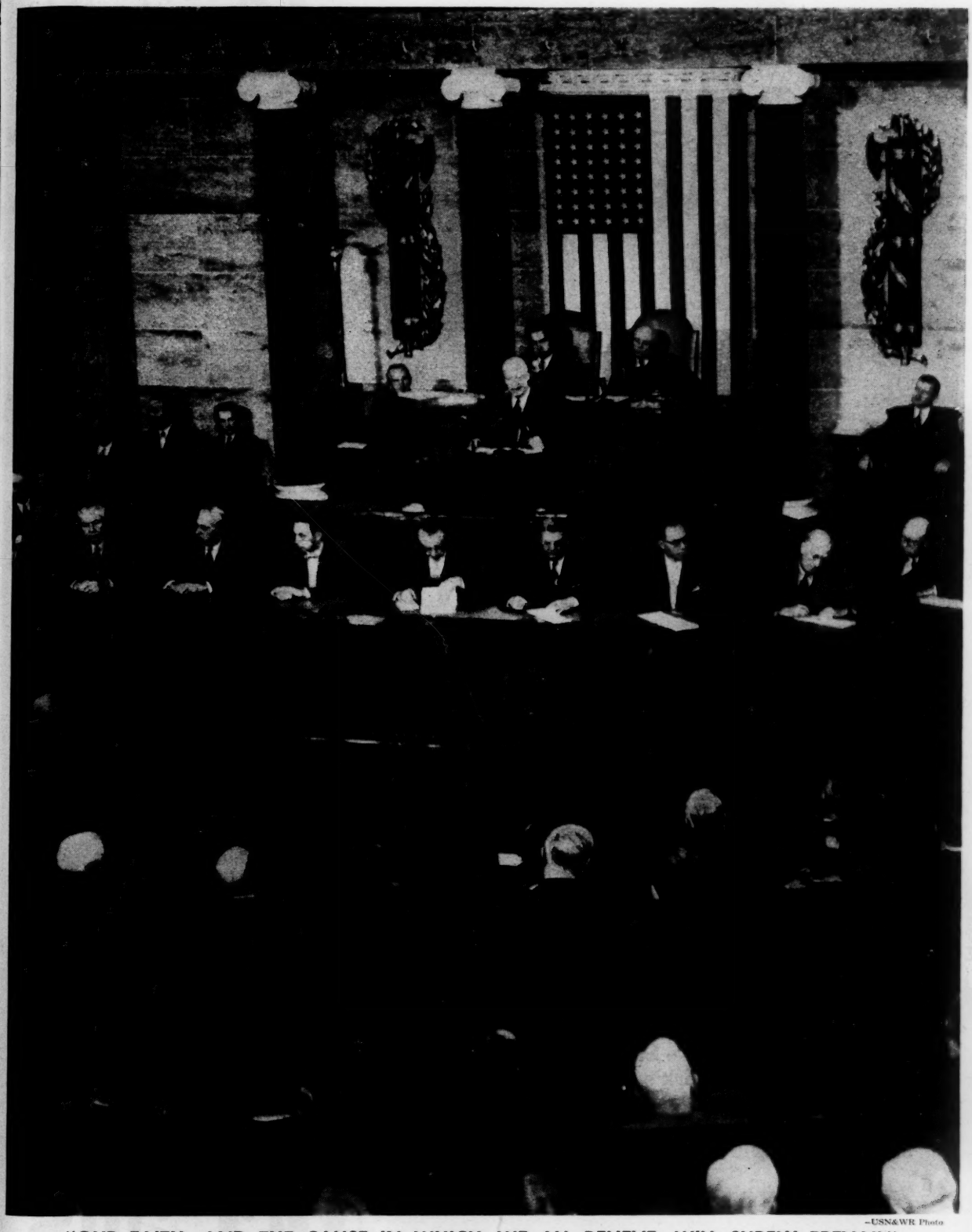
A decade ago, in the death and desolation of European battlefields, I saw the courage and resolution, I felt the inspiration, of American youth. In these young men, I felt America's buoyant confidence and irresistible will to do. In them I saw, too, a devout America, humble before God.

And so, I know in my heart—and I believe that all Americans know—that, despite the anxieties of this divided world, our faith, and the cause in which we all believe, will surely prevail.

And now, my friends, my apologies for the length of this address, and thank you for your great courtesy.

DWIGHT D. EISENHOWER

The White House
Jan. 6, 1955.



—USN&WR Photo

"OUR FAITH, AND THE CAUSE IN WHICH WE ALL BELIEVE, WILL SURELY PREVAIL"

Home life gets a new pattern

Father has a power saw!
See him build a table!
What does Father want to prove—
That he's skilled and able?

Phooey! What has happened is,
Pop could do no other
Once he got the forceful hint
Gently dropped by Mother.

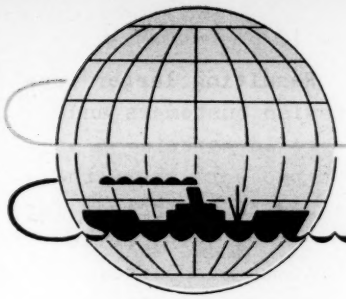
Mother saw it in McCall's—
Ringed it round like Saturn
Where it said the work's a cinch
With a *transfer* pattern.

Transfer patterns are the things
Mom is used to using;
Make both wood *and* needle work
Greatly less confusing.

Simply iron the pattern on,
Don't project or draw it.
All you do from there on out's
Hold the wood and saw it.

Thank McCall's—a trusted name,
Biggest in home-sewing;
In the new home workshop field,
Big—and swiftly growing!

McCall's



Business Around the World

LONDON • STOCKHOLM • BELGRADE • NEW DELHI • TOKYO

›› New undercurrents in Europe's business thinking run like this:

European business boom is entering a new phase. 1954 was an outstandingly good year--but unusual. U.S. business pressures tended to be light--no strong upward or downward pressure on prices, for example.

This year will be different. U.S. business tendencies now point upward. That can complicate things for Western European businessmen.

Prices of raw materials will be firming up, with the U.S. a more active buyer. Export prices of Europe's manufacturers will change little, while competition stays keen. So, something of a squeeze is likely to develop.

›› If many Europeans subscribe to this viewpoint, commodity markets will not be long in reflecting it. Metal prices in European markets already are strengthening a bit. Industrial commodities generally are the things to watch.

A race to stock up on raw materials is hardly likely. But it's well to bear in mind that European industry, now going full blast, apparently doesn't plan to be caught short.

Speculators, flush with profits from stock-market operations, may move into commodities--under present circumstances. Some Europeans are keeping these possibilities in mind. Some Americans are mulling them over, too.

›› Material costs aren't the only worries European businessmen have.....

Wages, the other big factor in manufacturing costs, are likely to go up, too, this year. Pressure for higher wages is mounting again in Britain, the Netherlands and France and may soon reappear in Western Germany.

Labor shortages, particularly among skilled workers, are developing in these countries. Wages have been increased in each, while retail prices remained pretty steady in the last year. However, now prices are starting up.

Workers sense their own scarcity value. They also see many more things in the shops they want to buy, much new housing, shiny new cars.

Higher wage demands are the result. Labor wants a bigger share in this boom. You see that in Britain right now. French workers, too, are grumbling.

Odds are that, under present circumstances, European unions will not have much difficulty in getting wage raises.

Higher wages, plus higher material costs, would mean higher prices. That sounds like inflation--a mean word to European finance ministers.

Sweden, Norway and Denmark now agree to have a serious try at setting up a joint market--a customs union--for their 14 million people. This idea, batted around for years, was last shelved in 1950.

Eventual aim is free trade among the three countries after a transitional

(over)

scaling down of customs duties and other trade barriers. Resulting larger production and greater specialization should benefit Scandinavian customers and also sharpen the competitive position of this area on the world market.

New industries would be started as joint Scandinavian projects where the national market provided by only one of these countries would be too narrow for profitable operations. Existing industries might be enlarged by joint action.

The three countries are essentially complementary in their economies.

Denmark is largely a farming community; Norway, fishing and shipping; Sweden, wood products and heavy manufacturing. But in each are growing chemical, pharmaceutical and electro-technical industries. Expensive parallel growth could be avoided by joint planning and marketing.

But don't expect anything to happen soon. These are individualistic peoples. Compromise doesn't come easily to them. National feelings run surprisingly high. And politicians hate to see people lose jobs--as some might.

>> Bear in mind, also, the difficulties in Benelux, the customs union of Belgium, the Netherlands and Luxembourg. Belgian farmers still have to be protected against lower-priced Dutch farm products. Higher wages and restrictive business practices prevalent in Belgium make for trouble. Benelux doesn't work any too well because home industries are protected in one way or another.

>> Certain of the Kremlin's business agents are in line for awards for meritorious achievements in key spots around the perimeter of the Iron Curtain. Look at the record made just last week:

1. The Yugoslavs signed a 20-million-dollar trade agreement with Russia, the first formal trade link between the two for six years. This comes at a crucial time, since Yugoslavia is in a bad way economically. Yugoslavs owe Western countries 400 million dollars, can't meet their debts on schedule. The U.S. continues to pour wheat, cotton and other things into Yugoslavia.

2. The Indians moved closer to accepting the Russian offer to build and finance a big steel mill for them. Indians recently rejected a British offer to help in putting up a privately owned steel plant. To keep their hand in, the British now are offering help in putting up a state-controlled steel mill.

3. The Japanese Premier, Ichiro Hatoyama, with an election coming up in March, proposed a program for improving trade with Russia and Red China. Many Japanese businessmen clamor for more trade with the Communists, who obviously aid and abet such clamor. Hatoyama recommends removal of the ban on selling certain strategic goods to Communist countries.

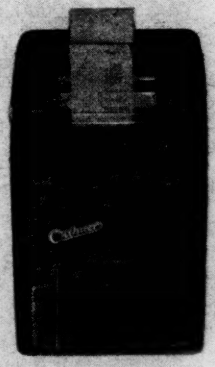
To a certain extent, this is vote-getting talk by Hatoyama. But it's also a reminder to the U.S. that most Japanese believe their country will not be able to stand on its own feet until Chinese markets and supplies are more freely available to it. Alternative seems to be more U.S. aid. Communists, meanwhile, will undoubtedly dangle more trade bait in front of the Japanese.

You can see in Yugoslavia, India and Japan three economic battlegrounds being selected for special attention by the Moscow-Peiping axis. In each country economic difficulties of one sort or another can be exploited. Each is highly important to Western powers. Each is an ideal site for a tryout of "competitive coexistence," now favored by both Moscow and Washington.

"Competitive coexistence" in this sense amounts to economic warfare--competitive bidding to get, or keep, an ally.

Something NEW in adding machines...

Odhner adds auto-multiplier!



There is nothing quite like the new electric Odhner—this speedy, easy-to-operate 10-key adding machine now offers a revolutionary auto-multiplier and optional stepover feature! Odhner's auto-multiplier—the 9 small keys at the right of the keyboard—is designed so the top depressed key activates the multiplying cycle. Now Odhner gives you the advantages of efficient and simple automatic multiplication—at savings up to $200! New Odhner retails at only $399.50. Available now in the U. S. A.

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FACIT INC.

500 Fifth Ave., New York 36, N. Y.

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TOO MUCH MONEY?

Spending Trends Getting Hard Study by Officials

A lot of hard thinking is going on inside the Federal Reserve System. Move to curb stock-market speculation is a sign that officials are leaning to a slightly tighter money supply.

Outlook is for mild further action to head off inflation.

But don't look for another "hard money" era—things will have to get pretty wild before that's tried again.

Money managers in Government, it is becoming clear, are fully prepared to use their enormous powers to curb any excesses that develop—or threaten—in spending and investment.

Action by the Federal Reserve Board, to raise "down payments" on stock purchased on credit, is just one signal. The move, with others, is a warning that FRB will not hesitate to squeeze the country's money supply if "excesses" develop in borrowing and spending.

Dilemma that's being faced up to inside FRB, though—and inside the White House and the Treasury—is in the question of when to act, and how strongly. Is it about time to tighten the money supply a bit more, when business is still recovering from a slump, and when activity normally hits a new-year sag?

–USN&WR Photo

WILLIAM McCHESNEY MARTIN
When to apply the brakes?

It's a time when tinkering with money means risking another recession, as the money managers have been made painfully aware by their own experiences. In the touchy months of early 1953, when Republicans first took office, virtually all of Government's powers were used to contract money and credit in order to curb real and anticipated excesses.

The result, in retrospect, is viewed variously by different people. It was a "panic" in the money market to many bankers. It was "a relatively mild crisis" to W. Randolph Burgess, Treasury's Under Secretary for debt management who had a big part in the brief excursion into "hard money." William McChesney Martin, Jr., chairman of the powerful Federal Reserve Board, says simply that "perhaps we jammed on the brakes at one point a little bit too tight."

Republican Congressmen who were defeated at the polls in the recession that followed the short "hard money" era use somewhat harsher words to describe what happened. They're in no mood to listen to talk about the "bigger crash" that might have occurred if excessive spending had not been curbed.

Money controllers, in any event, have been made acutely conscious of the risk involved in going too far too fast in restraining a boom.

To figure out what all this means in terms of what's going to happen to money and credit now, you need to take a look at the money supply and at the policies that guide officials when they think about applying the brakes to spending.

How much money? Money supply actually is no longer greatly out of line with business activities that are to be financed.

The privately held money supply—measured by bank deposits and currency in use—is just under 210 billion dollars. That's about 3.8 times what it was at the end of 1929.

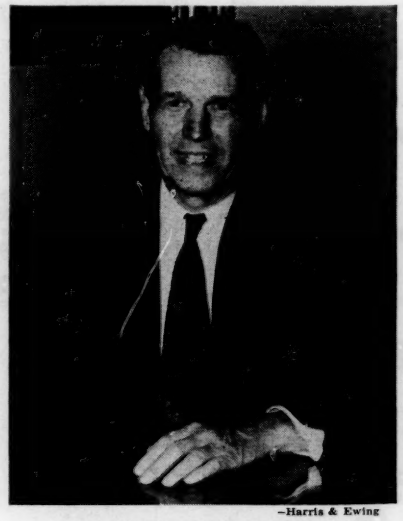
Total production, or spending—measured by the "gross national product"—is about at 362 billions. This is roughly 3.5 times what gross national product was late in 1929.

What's happened, briefly, is this: Money supply was allowed to expand freely in New Deal years, particularly during the war. By the end of 1945, the private money supply was 2¾ times what it had been in 1929, while production was considerably less than twice what it had been in 1929. Money supply appeared to be far out of line with the level of business activities that used money.

(Continued on page 106)

–USN&WR Photo

DR. ARTHUR F. BURNS
. . . vs. excessive spending



–Harris & Ewing

W. RANDOLPH BURGESS
. . . vs. excessive borrowing

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Now available with most New York Life Policies —the most protection *when it's needed most!* That's the whole idea behind this outstanding life insurance plan now offered by New York Life.

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This Family Income feature can be attached to almost any New York Life policy of $2,000 or more when issued —from ages 18 through 55. For every $1,000 of the basic policy's face amount, you can select an income of either $10 or $20 a month payable to your family.

Then, should you die at any time during the 20-year Family Income period, the monthly payments would be made *for the remainder of the 20 years!* What's more, at the end of the 20th year, the basic policy's *full face amount* would also be paid to your family. If you live, you stop paying the small extra Family Income premium after 20 years—and still retain your basic life insurance protection.

Here's what it costs to include Family Income coverage of $20 a month per $1,000 in your basic policy—for 20 years:

Age at issue	Additional Annual Premium
25	$ 8.74
30	11.18
35	14.92
40	20.68

If you're a family man with growing children, you can't afford to overlook this excellent New York Life insurance plan.

The Family Income feature is available with New York Life policies throughout the U. S., Alaska, Canada and Hawaii. New York Life is 110 years old and is one of the strongest life insurance companies in the world.

Here's how the Family Income Plan Works with a $10,000 Policy

$200 per month up to 20 years under Family Income Plan . . . $10,000 cash payment at the end of 20 years on basic policy!

Say you're age 30, married, with two children, ages 2 and 5. You buy a $10,000 "Whole Life" policy with Family Income feature to pay $20 a month per $1,000 for 20 years. Your total annual premium for policy and Family Income is $314.20 —less than a dollar a day. And annual dividends could be used to reduce premium payments.

If you died the first year, your wife would receive $200 a month for 20 years —until the children were 22 and 25 and probably self-supporting. Then, she would also receive the full $10,000 face amount of the basic policy. So the total amount received for the balance of 20 years would come to over $55,000! Or if you died at the end of the tenth year, the monthly income would be paid for 10 years—and the total received would be $34,000.

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The Trustees have declared a special distribution of net long term capital gains of twenty-nine cents ($0.29) a share payable February 18, 1955, in shares or, at the option of the shareholders, in cash, to shareholders of record December 31, 1954.

ROBERT W. LADD, *Secretary*
200 Berkeley Street, Boston
January 4, 1955.

. . . The idea is to cure slump before it happens

A gradual tightening of the money supply, begun after the war, was speeded up drastically in the short "hard money" era of early 1953. By March, money supply and total production were almost on a 1929 par, at 3½ times the 1929 levels. Since then, a reversal in the money policy has allowed the supply to get a shade higher in relation to output than it was in 1929.

What now? The question that's now being mulled over inside the Reserve Board, the Treasury and the White House is whether it's time to lay just a slightly tighter hand on the money supply.

Key to those questions lies in the ideas that prevail among Government's top monetary and economic advisers.

If you check the President's Council of Economic Advisers, where Arthur F. Burns is in charge, you find this keystone in the Administration program for controlling ups and downs of business: The time to cure a business slump is before it happens. The way to do it is to curb "excessive" borrowing, spending and investing before those activities get out of hand.

At the Federal Reserve Board, it's likely to be explained this way: We don't feel we should wait for active price inflation before we act. We should apply the brakes to spending and investment whenever they threaten to reach levels that can't be sustained.

You get the same explanation of policy if you check Secretary of the Treasury George M. Humphrey, or his chief monetary expert, Mr. Burgess.

What you need to note particularly in this official policy line is the matter of timing. Time to act, according to this theory, is not after a downturn starts—though action is needed then, too. Nor is the time to act after spending "excesses" become widespread. The right time to act is when those excesses are first detected.

Are excesses perceptible today? Officials think so.

The situation. Main thing that is bothering the money managers is that borrowing, spending and investment not only are very high but—as some officials see it—are showing some signs of shooting up rapidly.

Installment buying, in the latest month reported, was at an annual rate of 31.1 billion dollars—highest in history except for the early 1953 months that brought the Administration's "hard money" moves. This latest reported month, moreover, was November—before new car models

(Continued on page 107)

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. . . Borrowing to buy and build is going higher

began rolling off assembly lines at peak rates and before record Christmas buying really got going.

Mortgage debt is following the same trend. Borrowing to buy and build has been on the rise and, with easier terms offered on Government-insured mortgages, may rise even faster than before.

Borrowing by State and local governments to pay for construction is setting new records, and spending for corporation stocks—increasingly on credit—obviously is reaching levels that disturb officials.

Those are the trends that officials are watching closely as possible generators of new inflation.

USN&WR Photo

CREDIT FROM THE BANKS
. . . it won't dry up

There are other factors, though.

Businessmen aren't doing much borrowing to speculate in inventories now. It was fear of a rush to build inventories, on credit, that was uppermost in minds of officials when they tried out the "hard money" policy two years ago.

Investment in new plants and machinery seems headed down a bit, too. And consumer buying on credit still may take its usual downturn for this time of year.

Government, moreover, is about to take its annual big bite of individual and corporation incomes. In the first part of 1955, Government will siphon off many more billions in taxes than it will pour out in spending.

What the money managers see, then, is no broad inflationary movement under way, but pressures being built up

(Continued on page 108)

131 SOUND STOCKS for INCOME and PROFIT

Announcing UNITED'S 1955 list of recommended issues

FIRST Report covering UNITED'S complete Supervised List of Recommended Common Stocks for 1955 is just off the press. It is broadly diversified as to industry, and selections range from the highest quality stocks for safety and income to lower-priced speculative issues for high percentage gains. Included are stocks with long dividend records, yielding 5% to 7.3%. You will find the following issues of special interest:

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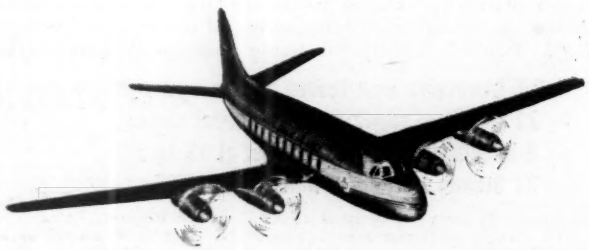

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. . . What's probably ahead: more brakes on inflation

by what is regarded as excessive borrowing and spending of some kinds.

To officials who, by background and nature, are more afraid of inflation than deflation, that points to need for some preventive steps.

Decision. What this means is no startling moves to dry up money and credit, but in all probability a continuation of the ever-so-slight pressure that these officials applied to the brakes late in 1954.

Specifically, a look inside the money-managing agencies indicates:

Officials will soak up some of the banks' lending reserves as is normally done at this time of year, when loan demand drops off. Just a bit more of reserves than usual may be taken up.

Money supply that remains, of course, can be used more intensively. That is, "turnover" of money can rise. FRB can't influence that directly, but, if turnover rises, bank reserves can be squeezed a bit more tightly. And FRB can raise the interest rate at which banks borrow more reserves.

As an alternative, there may be a decision to dry up some of the unneeded lending money in the country by issuing one of those long-term Treasury bonds that the Administration is so anxious to substitute for short-term U. S. debt.

Caution, though, is to be used. As stronger action is felt to be needed, stronger action will be taken—but not with a sledge hammer.

› **Big equity issue.** Announcement by General Motors of plans to offer 325 million dollars' worth of new stock to its present shareholders is being taken as an encouraging sign that stock prices are reaching levels that will encourage industry to raise new capital by common-stock issues. The issue will be about one-fourth as large as all common-stock financing by all U. S. corporations in all of 1954.

GM spent three quarters of a billion dollars on expansion in 1954, plans to lay out another half billion in 1955, principally on machinery and equipment. Of the 2.1 billions or more GM has spent in six years, about three fourths came from retained earnings.

› **Biggest bank.** A world record is claimed by the Bank of America. The bank reports its total resources, investments in securities and capital funds at nearly 9.2 billion dollars, more than has ever been achieved before by any private bank.

PLUS & MINUS
Latest Indicators of Business Activity

Business recovery is continuing, broad and strong. Market prices of stocks, however, have taken a spill, accompanied by a moderate decline in prices of U. S. Government securities.

Factory output stood at 132 on the indicator in the week ended January 1, highest since October, 1953, and only 5 per cent below the peak of July, 1953. The auto industry aims at a January output of 742,500 cars and trucks, which would exceed the hectic rate of December. Steel mills are running at better than 80 per cent of capacity, and the industry hopes for a rate of 85 per cent or more within a few weeks.

Soft-goods industries, as a group, have drawn near their record high of May, 1953. They may exceed it on the upsurge now developing. "Growth" industries such as chemicals and paper kept expanding during the 1953-54 recession. Now, textiles, rubber, apparel, leather are rising strongly.

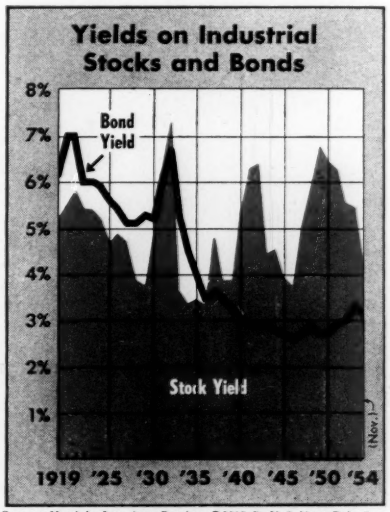
Department-store sales reached 116 on the indicator in December, highest since May, 1953. There was keen demand for furniture, appliances, TV sets.

Inventory buying of department stores was rising even before favorable December sales. November orders for early spring were larger than usual.

Construction activity finished last year at an all-time high. The rate rose to 39.1 billions per year in December, 10 per cent above a year earlier. Home building soared to 15.1 billions per year, 29 per cent above December, 1953. Highway construction reached a record rate of 3.7 billions.

Stocks were engulfed by heavy selling on January 5 and 6, and the Dow-Jones industrials closed 17 points below their recent high of 408.89. That left this average 54 per cent above September, 1953.

Yields on industrial stocks, shown in the top chart, had sunk to only 4.13 per cent just before the market decline. That compares with a postwar high of 7.29 in August, 1949, and 5.54 only a year ago.



Source: Moody's Investors Service © 1955, By U. S. News Pub. Corp.

A narrowing of the spread between stock and bond yields has taken place, as the chart shows. At their recent peak, stocks yielded only a third more than bonds. From 1948 through 1951, the yield on stocks was more than double that on bonds.

Tendency, ordinarily, is for bond prices to fall in periods of expanding business activity, when demand for credit lifts interest rates. If that happens from now on, it will further reduce the income advantage of stocks over bonds.

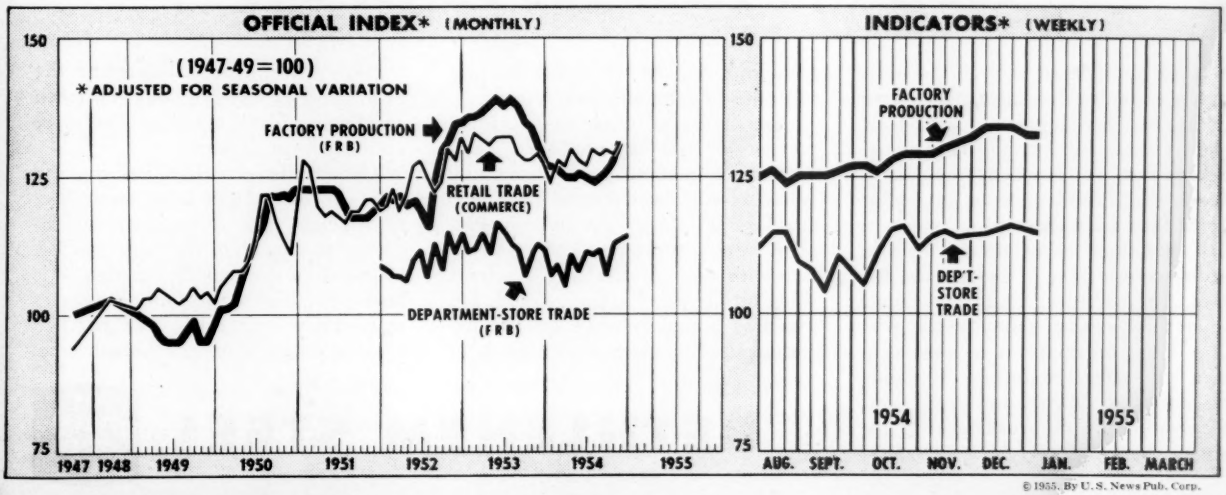
Government-bond prices weakened between December 31 and January 5. Treasury 3¼ per cent bonds, due 1983, fell to 109.38, lowest since June, 1954. The average yield on long-term Treasury bonds rose to 2.63 per cent, highest since January, 1954.

Fear that the Government may offer new long-term bonds in exchange for debt maturing on February 15 and March 15 brought some fresh selling of outstanding Treasury issues.

Heavy demand for capital lies ahead. States and municipalities will need to borrow even more this year than the record total of 6.7 billions they borrowed in 1954. Mortgage debt, up 12 billions in 1954, promises to grow even more in 1955. Automobile-finance companies will need more capital. Corporations, now that business is expanding, will need almost as much as the 7.4 billions of new capital they raised through the sale of securities in 1954.

Current savings of individuals, tapped by borrowers through sale of securities to banks, insurance companies and savings institutions, are likely to decline a bit. Individuals saved 7.3 per cent of their income in the third quarter of 1954, down from 7.8 in the second quarter, 8.6 in the first.

Money policy of Government doubtless would harden if inflation threatened again. Best protection for stocks and bonds alike, in the official view, lies in orderly expansion of business, one that avoids both boom and bust.



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Guess who's had the safest day

Not the youngsters, with all the boisterous activities that fill their daytime hours. Not Mother, for too much of her day was spent at home—and home, believe it or not, is a dangerous place. More accidents happen to people at home than anywhere else.

If any member of the family has really spent his day in a safe place, it's Dad. For he works in a steel plant, where his personal safety is the goal of a large organization of operating men and safety engineers. All kinds of protective devices and equipment surround him. And, working in an environment where everybody is safety-conscious, it's second nature for him to do his job the safe way.

Forty years of organized accident prevention have accomplished near-miracles in making steel plants safe places to work in. Recently the 20,000 employees of our Bethlehem, Pa., plant worked through a 12-month period with only 20 disabling accidents while on the job—compared with 275 disabling accidents while off the job and exposed to the normal hazards of everyday life, especially around the home and on the highway. Thirteen accidents outside the plant for every accident while at work!

The Bethlehem plant has the top safety record of any large steel plant in America. But throughout the industry the story is the same. Safety standards in steelmaking are high. It is heartening that the technical advances in steel have been more than matched by this progress on the human side.

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Inventory reductions seem to be ended. That's good news for producers and for business generally. Sell-off of inventories has been a drag on output.

Factory stocks have held about even since September, after allowing for seasonal changes. A month ago they were 3.3 billion dollars below the peak of 47.1 billions reached in September, 1953.

It has been at factories that inventories were most troublesome. Output was cut in order to work them down. Now manufacturers appear to have solved the problem of burdensome stocks.

An end to inventory trimming signals an upturn in production. Output will increase simply to keep stocks at current levels. If there is any build-up in inventories, which is quite possible, output will rise that much more.

Trend in new orders to manufacturers also suggests rising output. In November, orders didn't drop as much as usual. Result is that the Commerce Department reports a seasonal gain in orders placed at the factory.

Shipments also rose for the month--from 23.3 billions to 24.6 billions. Shipments from factories now are at the highest level in over a year.

The rise in shipments, plus steady inventories, gives manufacturers the lowest stock-sales ratio in more than a year--another healthy sign.

You also see signs of a business pickup in the latest income figures.

Personal income in November hit a rate of 287.6 billion dollars a year. That marks a gain of 1.3 billion over the October rate and puts the November rate slightly ahead of a year ago.

Income to individuals for the first 11 months of the year about matched the same period for 1953. A further rise is expected for December.

People's income in 1954 is expected to equal or exceed that of 1953 when all the figures are in. In the aggregate, individuals did not feel the recession of 1953-54. Total income payments held up.

More significant, perhaps, is the fact that the November rise in income was confined almost entirely to wage and salary payments.

Wages and salaries hit the highest rate since November, 1953, and were only 2 per cent below the peak reached in July, 1953.

Payrolls in the auto industry, in electrical-machinery firms and metal-working plants led the rise in these payments.

That's another strong sign of business improvement.

People, moreover, appear to be in a mood to spend more money.

Latest savings figures reflect a trend toward heavier spending.

Saving by individuals has been running at a peacetime high, but reports

(over)

from Government agencies show a decline for the June-September period.

Money put aside in this period, in fact, was below the same 1953 period.

With incomes rising, and savings in a decline, the result is a higher level of individual spending, a rising trend in production and sales.

The type of saving also indicates more free spending by individuals.

Checking accounts rose by 2.7 billions in July-September.

Security holdings by individuals declined by 1.1 billions in the period. Most of the decline occurred in Government bonds, although holdings of U.S. Government savings bonds showed a small increase.

The shift from securities to cash in this period probably is another sign that individuals are preparing to spend more money. The shift, in fact, goes a long way to explain the record volume of Christmas sales. Earlier in the year, bank accounts had been drawn down.

In the July-September period, liquid saving is estimated at 2.7 billion dollars, compared with 3.2 billions in the like 1953 period. People still are investing steadily in insurance and in savings and loan associations.

People also are tending to go deeper into debt.

Installment credit extended in November reached close to almost 2.6 billion dollars. That was the highest since March, 1953, and a record for November.

Credit extended in December is believed to have taken another jump.

New auto credit in November amounted to about 1 billion dollars, and a further increase is indicated for December because of rising auto sales.

New credit for other goods reached 674 million--the highest level since January, 1954, after adjustment for seasonal influences.

These figures show plainly that people are increasing their purchases of expensive items, such as automobiles and refrigerators. Installment credit is widely used for this type of purchase.

Increased use of new credit, however, seems so far to be on a sound basis.

Debt repayment also is running at a high level.

Installment debt repaid in November amounted to close to 2.5 billions. That is the highest amount of debt repayment ever shown in official figures.

People thus are showing a willingness and an ability to meet obligations taken on in the past, as well as to take on new obligations. This is still another sign of financial health in the economy.

The high level of debt repayment is holding back the growth in outstanding debt. The November rise in installment debt outstanding was only 62 million dollars. In November, 1953, the rise was 141 millions, and in November, 1952, outstanding installment debt jumped 350 millions.

Total consumer debt stood at 29.2 billions on November 30.

Increase over a year ago amounts to 449 millions.

Debt burden does not appear very heavy in relation to income.

Another growth sign: U.S. population on January 1 is estimated by the Census Bureau at 163.9 million--a gain of 2.7 million in a year.

Now Puerto Rico Offers 100% Tax Exemption to New Industry

by BEARDSLEY RUML

"We don't want runaway industry" says Governor Muñoz. "But we do want new and expanding industries. To get them, we promise freedom from all taxes—local and Federal." That's one reason why hundreds of U. S. manufacturers are locating new plants in Puerto Rico, where they are protected by all the guarantees of the U. S. Constitution.

Beardsley Ruml

IN A dramatic bid to raise the standard of living in Puerto Rico, the Commonwealth Government is now offering U. S. manufacturers such overwhelming incentives that more than three hundred new factories have already been established in this sun-drenched island 961 miles off the Florida coast.

First and most compelling incentive is a completely tax-free period of ten years for most manufacturers who set up new plants in Puerto Rico.

For example, if your company is now making a net profit after taxes of $53,500, your net profit in Puerto Rico would be $100,000—a gain of 87 per cent as a result of non-applicability of U. S. Corporate Income Tax in Puerto Rico.

Your dividends in Puerto Rico from a corporation there could be $50,000 against $25,000 net in the U. S.—thanks to the non-applicability of the U. S. Income Tax.

What About Labor?

Puerto Rico's labor reservoir of 650,000 men and women has developed remarkable levels of productivity and efficiency—thanks, in part, to the Commonwealth's vocational training schools. These schools also offer special courses for managers and supervisors.

The progress made in technical skills may be gauged from the fact that there are now twenty-eight factories producing delicate electronic equipment.

Among the U. S. companies that have already set up manufacturing operations in Puerto Rico are Sylvania Electric, Carborundum Company, St. Regis Paper, Remington Rand, Univis Lens, Shoe Corporation of America, and Weston Electric.

CORPORATE TAX EXEMPTION

If your net profit after U. S. Corporate Income Tax is:	Your net profit in Puerto Rico would be:
$ 17,500	$ 25,000
29,500	50,000
53,500	100,000
245,500	500,000
485,500	1,000,000

DIVIDEND TAX EXEMPTION

If your income* after U. S. Individual Income Tax is:	Your net income in Puerto Rico would be:
$ 3,900	$ 5,000
7,360	10,000
10,270	15,000
14,850	25,000
23,180	50,000
32,680	100,000
43,180	200,000
70,180	500,000

*These examples are figured for dividends paid in Puerto Rico to a single resident. Based on Federal rates effective Jan. 1, 1954.

"Close to Paradise"

Listen to what L. H. Christensen, Vice President of St. Regis Paper, says:

"The climate is probably as close to paradise as man will ever see. I find Puerto Ricans in general extremely friendly, courteous and cooperative.

"This plant in Puerto Rico is one of our most efficient operations, in both quality and output. Our labor has responded well to all situations."

Mr. Christensen might have added that the climate is magnificent, with temperatures in the 70's twelve months a year.

The swimming, sailing and fishing are out of this world. Your wife will rejoice to hear that domestic help is abundant.

The Commonwealth will leave no stone unturned to help you get started. It will build a factory for you. It will help you secure long-term finance. It will even screen job applicants for you—and then train them to operate your machines.

Transportation

Six steamship companies and four airlines operate regular services between Puerto Rico and the mainland. San Juan is just 5½ hours by air from New York.

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Pope Pius XII Declares:

PEOPLE, NOT POLITICIANS, HOLD KEY TO PEACE

Peace prospects, chances of war, the state of today's world, all are dealt with by Pope Pius XII in the following message, printed in its entirety.

The Pope, appraising the outlook, is critical of many statesmen, finding much to blame in both East and West.

Importance is added to the message of His Holiness by the fact that Catholic parties in parliaments of Europe wield great influence at this time.

The attitude of the Catholic Church will bear strongly on developing moves to seek a basis for dealing with Communism.

Following is the full text of the Christmas message of Pope Pius XII, published Jan. 3, 1955, as translated from the Italian by the Vatican Press Service:

"Behold I will bring upon her, as it were, a river of peace" (Isaias 66, 12). This promise, announced in the messianic prophecy of Isaias, was fulfilled, with mystic significance, by the Incarnate Word of God in the New Jerusalem, the Church: and We desire, beloved sons and daughters of the Catholic world, that this same promise should resound again over the entire human family as the wish of Our heart this Christmas eve.

A river of peace upon the world: this is the desire which We have most constantly cherished in Our heart, for which We have most fervently prayed and worked, ever since the day when God in His goodness was pleased to entrust to Our humble person the exalted and awe-inspiring office of common father of all peoples which is proper to the vicar of Him to Whom all races are given for His inheritance (Psalms 2, 8).

Casting a glance backwards over the years of Our pontificate with regard to that part of Our mandate which derives from the universal fatherhood conferred upon Us, We feel that it was the intention of Divine Providence to assign to Us the particular mission of helping, by means of patient and almost exhausting toil, to lead mankind back to the paths of peace.

At the approach of the feast of Christmas each year, We would have ardently wished to be able to go to the cradle of the Prince of Peace and offer Him, as the gift He would cherish most, a mankind at peace and all united together as in one family. On the contrary We had to experience—during the first six years—the indescribable bitterness of seeing nothing all around Us but people in arms, carried away by the mad fury of mutual destruction.

We had hoped—and many others had hoped with Us—that, once the rage of hatred and revenge had finally ceased, there would very soon have dawned a period of secure peace. Instead, there continued that agonizing state of uneasiness and danger, which public opinion described with the name "cold war" because in reality it had little or nothing in common with true peace and had much of the character of a truce that trembled at the slightest touch. Our annual return to the cradle of the Redeemer continued to be a sad oblation of sorrows and anxieties, with an intense desire to draw therefrom the courage that was necessary in order to persist in exhorting men to peace and pointing out to them the right road to attain it.

Can We, at least now in this sixteenth year of Our pontificate, fulfill that wish? According to many reports, the cold war has slowly been replaced by a period of decreased tension between the opposing parties, as if they were giving each other a longer breathing space; and not without some irony, this decreased tension has been given the name "cold peace." While We willingly recognize that this does represent some progress in the laborious ripening of peace properly so called, nevertheless, it is not yet a gift worthy of the mystery of Bethlehem, where there appeared "the goodness and kindness of God our Saviour" towards men (Tit. 3,4) For it is in too vivid contrast with the spirit of cordiality, of sincerity and of brightness that hovers around the cradle of the Redeemer.

In fact, in the political world, what is meant by cold peace if not the mere coexistence of various peoples based on fear of each other and on mutual disillusionment? Now it is clear that simple coexistence does not deserve the name of peace, to which Christian tradition, formed in the school of the lofty intellects of Augustine and Thomas Aquinas, has come to apply the definition "the tranquillity of order."

Cold peace is only a provisional calm, whose duration is conditional upon the changeable sensation of fear and upon the varying calculation of present strength—while it has about it nothing of true "order," which presupposes a series of relationships converging toward a common purpose that is right and just. Besides, by excluding all bonds of a spiritual nature between peoples so fragmentarily coexisting, cold peace falls far short of that which was preached and desired by the Divine Master—for His peace is founded on a union of souls in the same truth and in charity. It is defined by St. Paul as the "peace of God" which binds in the first place men's minds and hearts (Cfr. Phil. 4,7), and it is put into practice by acts of harmonious collaboration in every field of life, not excluding the political, social and economic fields.

Such is the reason why We do not dare to offer cold peace to the Divine Infant. It is not the simple and solemn "pax" (peace) which the angels sang to the shepherds on that holy night. Much less is it the "pax Dei" (peace of God)

which surpasses all understanding and is a source of interior and complete joy (Cfr. Ibid.) It is not even that peace which mankind today dreams of and longs for after so much affliction. However, We wish to examine in detail its shortcomings, in order that from its hollow void and its uncertain duration there may be born in the rulers of nations and in those who can exercise any influence in this field, the imperative desire to transform it as soon as possible into true peace, which is, in reality, Christ Himself. For, since peace is order and order is unity, Christ alone is able and willing to unite men's minds in truth and love. It is in this sense that the Church points Him out to all peoples in the words of the prophet, as being Himself peace: "Et erit iste pax . . . ." (and this man shall be our peace) (Micheas, 5, 5; Cfr. Liturgical Office for Feast of Christ the King, Passim).

Coexistence in Fear

It is a common impression, derived from the simple observation of facts, that the principal foundation on which the present state of relative calm rests, is fear. Each of the groups, into which the human family is divided, tolerates the existence of the other, because it does not wish itself to perish. By thus avoiding a fatal risk, the two groups do not live together, they coexist. It is not a state of war, but neither is it peace. It is a cold calm. Each of the two groups smarts under the fear of the other's military and economic power. In both of them there is a grave apprehension of the catastrophic effect of the latest weapons.

Each follows with anxious attention the technical development of the other's armaments and the productive capacity of its economy, while it entrusts to its own propaganda the task of turning the other's fear to its advantage by strengthening and extending its meaning. It seems that in the field of concrete politics reliance is no longer placed on other rational or moral principles, for these, after so many delusions, have been swept away by an extreme collapse into skepticism.

The most obvious absurdity of the situation resultant from such a wretched state of affairs is this: Current political practice, while dreading war as the greatest of catastrophies, at same time puts all its trust in war, as if it were the only expedient for subsistence and the only means of regulating international relations. This is, in a certain sense, placing trust in that which is loathed above all other things.

On the other hand, the above-mentioned political practice has led many, even of those responsible for government, to revise the entire problem of peace and war, and has induced them to ask themselves sincerely if deliverance from war and the ensuring of peace ought not to be sought on higher and more humane levels than on that dominated exclusively by terror.

Thus it is that there has been an increase in the numbers of those who rebel against the idea of having to be satisfied with mere coexistence, of renouncing relationships of a more vital nature with the other group, and against being forced to live all the days of their lives in an atmosphere of enervating fear. Hence they have come back to consider the problem of peace and war as a fact involving a higher and Christian responsibility before God and the moral law.

Undoubtedly in this changed manner of approach to the problem there is an element of "fear" as a restraint against war and a stimulus to peace; but here the fear is that salutary fear of God—Guarantor and Vindicator of the moral law—and, therefore, as the psalmist teaches (Ps. 110, 10), it is the beginning of wisdom.

Once the problem is elevated to this higher plane, which alone is worthy of rational creatures, there again clearly appears the absurdity of that doctrine which held sway in the political schools of the last few decades: Namely, that war is one of many admissible forms of political action, the necessary, and as it were the natural, outcome of irreconcilable disputes between two countries; and that war, therefore, is a fact bearing no relation to any kind of moral responsibility.

It is likewise apparent how absurd and inadmissible is the principle—also so long accepted—according to which a ruler, who declares war, would only be guilty of having made a political error, should the war be lost. But he could in no case be accused of moral guilt and of crime for not having, when he was able to, preserved peace.

It was precisely this absurd and immoral concept of war which rendered vain, in the fatal weeks of 1939, Our efforts to uphold in both parties the will to continue negotiations. War was then thought of as a die, to be cast with greater or less caution and skill, and not as a moral fact involving obligation in conscience and higher responsibilities. It required tombs and ruins without number to reveal the true nature of war: Namely, that it was not a luckier or less lucky gamble between conflicting interests but a tragedy, spiritual more than material, for millions of men; that it was not a risking of some possessions, but a loss of all—a fact of enormous gravity.

How is it possible—many at that time asked with the simplicity and truth of common sense—that, while every individual feels within himself an urgent sense of moral responsibility for his own most ordinary acts, the dreadful fact of war, which is also the fruit of the free act of somebody's will, can evade the dominion of conscience, and that there be no judge to whom its innocent victims may have recourse?

In the atmosphere of that time, when people were beginning to return to common sense, widespread approval was given Our cry, "war against war," with which, in 1944, We declared Our opposition to the pure formalism of political action and to doctrines of war which take no account of God or of His commandments. That salutary return to common sense, instead of being weakened, became more profound and more widespread in the years of the cold war, perhaps because prolonged experience made more clearly evident the absurdity of a life lived under the incubus of fear.

Thus the cold peace, with all its incoherences and uneasiness, shows signs of taking the first steps toward an authentic moral order and toward a recognition of the elevated doctrine of the Church regarding just and unjust war, and the licitness and illicitness of recourse to arms.

This goal will assuredly be attained if, on one side and the other, men will once again sincerely, almost religiously, come to consider war as an object of the moral order, whose violation constitutes, in fact, a culpability which will not go unpunished. In the concrete, this goal will be attained if statesmen, before weighing the advantages and risks of their decisions, will recognize that they are personally subject to eternal moral laws and will treat the problem of war as a question of conscience before God.

In the conditions of our times, there is no other way to liberate the world from its agonizing incubus except by a return to the fear of God, which in no way debases the man who willingly submits to it; rather, it saves him from the infamy of that awful crime—unnecessary war. And who can express astonishment if peace and war thus prove to be closely connected with religious truth? Everything that is, is of God. The root of all evil consists precisely in separating things from their beginning and their end.

Hence, also, it becomes clear that pacifist efforts or propaganda originating from those who deny all belief in God—if indeed not undertaken as an artful expedient to obtain the tactical effect of creating excitement and confusion—is always very dubious and incapable of lessening or of eliminating the anguished sense of fear.

The present coexistence in fear has thus only two possible prospects before it: Either it will raise itself to a coexistence in fear of God, and thence to a truly peaceful living together, inspired and protected by the Divine moral order; or else it will shrivel more and more into a frozen paralysis of international life, the grave dangers of which are even now foreseeable.

In fact, prolonged restraint of the natural expansion of the life of peoples can ultimately lead them to that same desperate outlet that it is desired to avoid—war. No people, furthermore, could support indefinitely a race of armaments without disastrous repercussions being felt in its normal economic development. The very agreements directed to imposing a limitation on armaments would be in vain. Without the moral foundation of fear of God, they would become, if ever reached, a source of renewed mutual distrust.

There remains, therefore, the auspicious and lightsome other way which, based upon the fear of God and aided by Him, leads to true peace, which is sincerity, warmth and life, and is thus worthy of Him Who has been given to us that men might have life in Him and have it more abundantly (Cfr. John 10, 10).

Coexistence in Error

Although the cold war—and the same is true of the cold peace—keeps the world in a harmful state of division, yet it does not, up to the present, prevent an intense rhythm of life from pulsing therein. It is true that this is a life developing almost exclusively in the economic field. It is, however, undeniable that economics, taking advantage of the pressing progress of modern techniques, has by feverish activity attained surprising results, of such a nature as to foreshadow a profound transformation in the lives of all peoples, even those heretofore considered rather backward. Admiration unquestionably cannot be withheld for what it has done and what it promises to do.

Nevertheless, economics, with its apparently unlimited ability to produce goods without number, and with the multiplicity of its relationships, exercises over many of our contemporaries a fascination superior to its potentiality, and extends to fields extraneous to economics.

The error of placing such trust in modern economics is again shared in common by the two camps into which the world is today divided. In one of these, it is taught that, since man has given proof of such great power as to create the marvellous technico-economical composite of which he boasts today, he will also be able to organize the liberation of human life from all the privations and evils from which it suffers, and in this way effect a kind of self-redemption. On other hand, the conception gains ground in the opposing camp that the solution of the problem of peace must be sought in economics, and particularly in a specific form thereof, that of free exchange.

We have already had occasion at other times to expose the baselessness of such teachings. About a hundred years ago followers of the free-commerce system expected wonderful things from it, attributing to it an almost magical power. One of its most ardent converts did not hesitate to compare the principle of free exchange, insofar as its effects in the moral world are concerned, with the principle of gravity which

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THE PEOPLE OF WESTERN EUROPE

"No people . . . could support indefinitely a race of armaments without disastrous repercussions"

rules the physical world, and he attributed to it, as its proper effect, the drawing of men closer together, the elimination of antagonism based on race, faith, or language, and the unity of all human beings in unalterable peace (cfr. Richard Cobden, "Speeches on Questions of Public Policy," London, Macmillan and Co., 1870: Vol. 1, pp. 362-366).

The course of events has shown how deceitful is the illusion of entrusting peace to free exchange alone. Nor would the result be otherwise in the future if there were to persist that blind faith which confers on economics an imaginary mystic force. At present, moreover, there are lacking those foundations of fact which could in any way warrant the overrosy hopes nourished today, as in the past, by followers of this teaching.

As a matter of fact, while, in one of the camps which coexist in cold peace, this highly vaunted economic freedom does not in reality yet exist, it is, in the other, completely rejected as an absurd principle. There is, between the two, a diametrical opposition in their ways of conceiving the very fundamentals of life—an opposition which cannot be reconciled by purely economic forces. Nay, more, if there are—as there actually are—relations of cause and effect between the moral world and the economic world, they must be so ordered that primacy be assigned to the former; that is, the moral world which must authoritatively permeate with its spirit the social economy.

Once this scale of values has been established and its actual exercise permitted, economics will, insofar as it is able, consolidate the moral world and confirm the spiritual postulates and forces of peace.

On the other hand, the economic factor might place serious obstacles in the way of peace—particularly of a cold peace, in the sense of an equilibrium between groups—if, employing erroneous systems, it were to weaken one of the groups. This could occur if, among other eventualities, individual people of one group were to engage, without consideration or regard for others, in a ceaseless increase of production, and a constant raising of their own living standard. In such a case, an upsurge of resentment and rivalry on the part of neighboring peoples would be inevitable, and consequently also the weakening of the entire group.

Prescinding from this particular consideration, however, one must be convinced that economic relationships between nations will be factors of peace insofar as they will obey the norms of natural law, will be inspired by love, will have due regard for other peoples and will be sources of help. Let it be held for certain that in relations between men, even merely economic relations, nothing is produced spontaneously—as does occur in nature which is subject to necessary laws—but everything depends substantially on the spirit.

Only the spirit, the image of God and the executor of His designs, can establish order and harmony on earth, and it will succeed in doing so to the same extent that it becomes the faithful interpreter and docile instrument of the only Saviour Jesus Christ, Who is Himself Peace.

Moreover, in another matter even more delicate than that of economics, error is shared by the two camps coexisting in the cold peace: an error, namely, regarding the principles which animate their respective unity. One of the camps bases its strong internal cohesion on a false idea, an idea, moreover, violating primary human and Divine rights, yet at the same time efficacious; while the other, forgetful that it already possesses an idea that is true and has been successfully tested in the past, seems instead to be tending towards political principles which are evidently destructive of unity.

During this last decade since the war, a great yearning for spiritual renovation urged souls to unite Europe strongly, the impetus coming from the natural living conditions of her peoples, with the purpose of putting an end to the traditional rivalries between one and another, and of assuring a united protection for their independence and their peaceful development.

This noble idea did not present motives for complaints or diffidence to the world outside of Europe, in the measure that this outside world was favorably disposed to Europe.

It was also believed that Europe would have easily found within herself the animating idea for her unity. But the succeeding events and recent accords which, as is believed, have opened the way to a cold peace, no longer have for a basis the ideal of a more extensive European unification. Many, in fact, believe that the governing policy is for a return to a kind of nationalistic state, closed within itself, centralizing therein its forces, unsettled in its choice of alliances and, consequently, no less perilous than that which had its time of highest development during the last century.

—United Press

POPE PIUS XII

"Coexistence does not deserve the name of peace"

Too soon have been forgotten the enormous mass of lives sacrificed and of goods extorted by this type of state, and the crushing economic and spiritual burdens imposed by it. But the real error consists in confusing national life in its proper sense with nationalistic politics—the first, the right and prized possession of a people, may and should be promoted; the second, as a germ infinitely harmful, will never be sufficiently repelled.

National life is, in itself, that operative composite of all the values of civilization, which are proper and characteristic of a particular group, for whose spiritual unity they constitute, as it were, its bond. At the same time, it enriches, as its own contribution, the culture of all humanity.

In essence, therefore, national life is something not po-

litical; and this is confirmed by the fact that, as history and practice demonstrate, it can develop alongside of others, within the same state, just as it can also extend itself beyond the political frontiers of the same state.

National life became a principle of dissolution within the community of peoples only when it began to be exploited as a means for political purposes; when, that is to say, the controlling and centralizing state made of nationality the basis of its force of expansion. Behold, then, the nationalistic state, the seed of rivalries and the fomenter of discord.

It is clear that, if the European community were to move forward on this road, its cohesion would become, as a result, quite weakened in comparison with that of the opposing group. Its weakness would certainly be revealed on that day of future peace destined to regulate with foresight and justice the questions still in abeyance.

Nor should it be said, that, in new circumstances, the dynamism of the nationalistic state no longer represents a danger for other peoples, being deprived, in the majority of cases, of effective economic and military power, for even when the dynamism of an imaginary nationalistic power is expressed in sentiment rather than exercised with actions, it is equally offensive to the mind; it feeds on distrust and breeds suspicion within alliances, impedes reciprocal understanding and thereby loyal collaboration and mutual help, to the same extent as it would if it had at its command effective force.

What would become, then, in such circumstances, of the common bond which is supposed to bind individual states in unity? What kind of a grand and efficacious idea would that be which would render them strong in defense and effective in a common program for civilization?

Some would like to see it as agreement in the rejection of that way of life destructive of liberty, proper to the other group. Without a doubt, aversion to slavery is worthy of note, but it is of negative value and does not possess the force to stimulate the human spirit to action with the same efficacy as does a positive and absolute idea.

Such an idea, instead, could be a love of the liberty willed by God and in accord with the needs of the common good, or else the ideal of natural law, as the foundation of an organization of the state and of states.

Only these, and like spiritual ideas, acquired now for many long centuries as part of the tradition of a Christian Europe, can sustain comparison—and, moreover, emerge victorious in it, to the extent that these ideas are really lived—with the false idea, though concrete and effective, which apparently holds together in cohesion, not without the aid of violence, the other group, the idea, namely, of an earthly paradise to be attained as soon as a determined form of social organization would be realized.

Though illusory, this idea has succeeded in creating, at least outwardly, a compact and hardy unity, and in being accepted by the uninformed masses; it knows how to inspire its members to action and voluntarily to make sacrifices. The same idea, within the political framework which expresses it, gives to its directors a strong capacity for seduction and to the adept the audacity to penetrate as a vanguard even into the ranks of the other side.

Europe, on the other hand, still awaits the reawakening of her own consciousness. Meanwhile, in what she stands for—such as the wisdom and organization of associated living and as an influence of culture—she seems to be losing ground in not a few regions of the earth.

Verily, such a retreat concerns the promoters of nationalistic policy, who are forced to fall back before adversaries who have taken over the same methods and made them their own. Especially among some peoples until now considered colonial, the process of organic maturation towards an autonomous policy, which Europe should have guided with perception and care, was rapidly turned into nationalistic outbreaks, greedy for power. It must be confessed that even these unforeseen eruptions, damaging to the prestige and interests of Europe, are, at least in part, the fruit of her own bad example.

Does this mean only that Europe has momentarily lost her way? In any case, that which must remain, and without doubt will remain, is the genuine Europe—that is, that composite of all the spiritual and civil values which the West has accumulated, drawing from the riches of individual nations to dispense them to the whole world. Europe, conforming to the dispositions of Divine Providence, will again be able to be the nursery and dispenser of those values, if she will know how to resume wisely her proper spiritual character and to repudiate the divinization of power.

Just as in the past the wellsprings of her strength and of her culture were eminently Christian, so now, too, will she have to impose on herself a return to God and to Christian ideals, if she is to find again the basis and bond of her unity and true greatness. And if these wellsprings seem to be in part dried up, if this bond is threatened with rupture and the foundation of her unity crumbling, the historical and present responsibility falls back upon each of the two groups who find themselves now facing each other in anguish and mutual fear.

The motives ought to be enough for men of good will, in one and the other camp, to desire, to pray, and to act, in order that humanity may be liberated from the intoxication of power and of pre-eminence, and in order that the Spirit of God may be the Sovereign Ruler of the world, where once Almighty God chose no other means for saving those whom He loved than that of becoming a weak Babe in a poor manger. "A child is born to us, and a son is given to us, and the Government is upon his shoulder" (Isaias 9,6.; cf. Introit, Third Mass of Christmas Day).

Coexistence in Truth

Although it is a sad thing to note that the present rupture of the human race took place, in the beginning, between men who knew and adored the same Saviour, Jesus Christ, still there appears to Us to be a well-founded hope that, in His name too, a bridge of peace may yet be built between opposing shores, and the common bond, so sadly broken, be re-established.

There is, in fact, some hope that today's coexistence may bring mankind closer to peace. In order, however, that this expectation be justified, such coexistence must in some way be coexistence in truth. Now a bridge cannot be built in truth between these two separate worlds unless it be founded on the human beings living in one and the other of these worlds and not on their governmental or social systems. This is so because, while one of the two parties still strives in large measure, whether consciously or unconsciously, to preserve the natural law, the system prevailing in the other has completely abandoned this basis.

A one-sided supernaturalism might refuse entirely to take such an attitude into consideration, alleging the reason that we live in a redeemed world and are, therefore, withdrawn from the natural order; or, some might say that the collectivist character of that system ought to be recognized as a "historical truth," in the sense that it too corresponds to the will of God—but these are errors to which a Catholic can by no means submit. The right road is quite different.

In both camps, there are millions in whom the imprint of Christ is preserved in a more or less active degree. They too, no less than faithful and fervent believers, should be called upon to collaborate towards a renewed basis of unity for the human race. It is true that, in one of the two camps, the

voice of those who stand resolutely for truth, for love and for the spirit, is forcibly suffocated by the public authorities, while in the other people suffer from excessive timidity in proclaiming aloud their worthy desires. It is, however, the duty of a policy of unification to encourage the former and to make heard the sentiments of the latter.

Particularly in that camp where it is not a crime to oppose error, statesmen should have greater confidence in themselves. They should give proof to others of a more firm courage in foiling the maneuvers of the obscure forces which are still trying to establish power hegemonies, and they should also show more active wisdom in preserving and swelling the ranks of men of good will, especially of believers in God, who everywhere adhere in great numbers to the cause of peace.

It would certainly be an erroneous unification policy—if not actually treachery—to sacrifice in favor of nationalistic interests the racial minorities who are without strength to defend their supreme possessions, their faith and their Christian culture. Whoever were to do this would not be worthy of confidence, nor would they be acting honorably if, later, in cases where their own interests demanded it, they were to invoke religious values and respect for law.

There are many who volunteer to lay the bases of human unity. Since, however, these bases, this bridge, must be of a spiritual nature, those sceptics and cynics are certainly not qualified for the task who, in accordance with doctrines of a more or less disguised materialism, reduce even the loftiest truths and the highest spiritual values to the level of physical reactions or consider them mere ideologies.

Nor are those apt for the task who do not recognize absolute truths nor admit moral obligations in the sphere of social life. These latter have already in the past—often unknowingly by their abuse of freedom and by their destructive and unreasonable criticism—prepared an atmosphere favorable to dictatorship and oppression; and now they push forward again to obstruct the work of social and political pacification initiated under Christian inspiration.

In some places it happens not rarely that they raise their voices against those who, conscientiously, as Christians, take a rightful active interest in political problems and in public life in general.

Now and then, likewise, they disparage the assuredness and strength Christians draw from the possession of absolute truth, and on the contrary, they spread abroad the conviction that it is to modern man's honor, and redounds to the credit of his education, that he should have no determined ideas or tendencies nor be bound to any spiritual world. Meanwhile, they forget that it was precisely from these principles that the present confusion and disorder originated, nor will they remember that it was those very Christian forces they now oppose that succeeded in restoring, in many countries, the freedom which they themselves had dissipated.

Certainly it is not upon such men that the common spiritual foundation can be laid and the bridge of truth built. Indeed, it may well be expected that, as occasion demands, they will not find it at all unseemly to be partial to the false system of the other shore, adapting themselves even to be overcome by it in case it were momentarily to triumph.

In awaiting, therefore, with confidence in the Divine mercy, that spiritual and Christian bridge, already in some way existing between the two shores, to take on a greater and more effective consistency, We would exhort primarily the Christians of the nations where the Divine gift of peace is still enjoyed to do everything possible to hasten the hour of its universal re-establishment.

Let these convince themselves, above all, that the possession of truth, if it were to remain closed within themselves, almost as if it were an object of their contemplation for deriving therefrom spiritual pleasure, would not be of service to the cause of peace; the truth must be lived, communicated and applied to all phases of life. Also, truth, and particularly Christian truth, is a talent that God placed in the hands of His servants in order that, with all that they undertake, it may bear fruit in works for the common good.

To all possessors of this truth, We would wish to propose a question, before the Eternal Judge asks it, whether they have used this talent fruitfully, in a way to be worthy of the invitation of the Master to enter into the joy of His peace. How many, perhaps even priests and lay Catholics, ought to feel remorse for having instead buried in their own hearts this and other spiritual riches, because of their own indolence and insensibility to human misery!

In particular, they would become culpable if they should tolerate that the people be left as though shepherdless, while the enemy of God, taking advantage of his powerful organization, is producing destruction in the souls not solidly enough formed in the truth.

Equally responsible would the priest and laity be, if the people were not to receive and find from Christian charity in practice that active help which the Divine will prescribes. Nor would those priests and laity fulfill their obligations were they voluntarily to close their eyes and keep silence concerning the social injustices of which they are witnesses, thus furnishing an occasion for unjust attacks against the capacity of the social action of Christianity and against the efficacy of the social doctrine of the Church, which, with the help of Divine grace, has given so many and such unquestionable public demonstrations in this regard and also in these recent decades.

In case the failure to which We have referred were to occur, it would likewise be those priests and laity who would bear the responsibility that groups of the young, and even pastors of souls, let themselves, in some cases, be won over to radicalism and erroneous progressivism.

The conduct of Christians—be they of high or humble state, or be they more or less prosperous—who would not be resolute in the recognition and observance of their own social obligations in the management of their economic affairs, would cause more grave consequences to the social order and also to the political order.

Whosoever is not ready to limit justly in relation to the common weal the use of his private goods, be it done freely according to the dictates of his own conscience, or even done by means of organized provisions of a public character, he is helping, insofar as it depends on him, to impede the indispensable primacy of personal impulse and responsibility in social life.

In democratic systems one can fall easily into such an error, when individual interest is placed under the protection of these collective organizations or of a party, where one seeks protection for the sum total of individual interests, rather than the promotion of the good of all; under such a guise the economy becomes easily subject to the power of anonymous forces which dominate it politically.

Beloved children, We are thankful to the Divine goodness for having given Us yet another opportunity to indicate to you, with paternal solicitude, the path of goodness.

May the earth, abundantly watered by the Giver of true peace, be able to proclaim glory to God in the highest! "Let us go up to Bethlehem" (Luke 2, 15). Let us go back there close to the crib of sincerity, of truth, and of love, where the only-begotten Son of God gives Himself, Man, to men, in order that humanity may know again in Him its bond and its peace. "Today true peace comes down to us from Heaven" (Office of Christmas, response, second lesson). In order that the earth be worthy to receive it, We invoke upon all abounding Divine blessings.

"A BRIDGE OF PEACE"

BY DAVID LAWRENCE

AS A CHALLENGE to "peaceful coexistence," Pope Pius XII offers the world "a bridge of peace" based upon the reaffirmation of Christian principles.

In perhaps the greatest of the many remarkable pronouncements that have come from the present Pontiff since 1939, the peoples on both sides of the Iron Curtain are told that they—rather than the politicians of government—hold the key to peace.

The Pope's Christmas address, delayed because of illness, is hard to grasp on first reading because it is necessarily couched in implicit phrases. But the responsible officials of government and the leaders of public opinion throughout the world will find it worthy of a second reading. For it contains a positive philosophy and carries on where the-much-controverted phrase, "peaceful coexistence" leaves off.

"Cold peace," like "cold war," says the Pope, is "the mere coexistence of various peoples based on fear of each other and on mutual disillusionment." He adds that "cold peace is only a provisional calm, whose duration is conditional upon the changeable sensation of fear and upon the varying calculation of present strength," and has nothing about it which presupposes "a series of relationships converging toward a common purpose that is right and just."

His Holiness points out that "by excluding all bonds of a spiritual nature between peoples so fragmentarily coexisting, cold peace falls far short" of the precepts of Christianity itself.

The Pope describes the state of fear which exists, as one side watches the other develop new military and economic weapons. "Current political practice, while dreading war as the greatest of catastrophes, at the same time puts all its trust in war"—this is the contradiction which the Pope clearly denounces. He says leaders should be asking themselves "if deliverance from war and the ensuring of peace ought not to be sought on higher and more humane levels than on those dominated exclusively by terror."

What refreshing words these are in an era which has begun to despair that there is any other solution except an atomic stalemate!

NOR does the Pope think peace can be obtained by economic measures alone. He doesn't mention the billions of dollars being poured around the world nowadays to win allies, nor the argument over trade between the East and the West. He does, however, point out the fallacy of relying wholly on that approach. A free exchange of goods, the Pope argues, cannot bring about a "liberation of human life," if it is unaccompanied by recognition of moral values.

When it comes to moral values, the criticisms voiced by His Holiness do not spare the business organizations or the labor unions or the traders in goods who put their special interests above the good of all—nor those who advocate public ownership as an alternative to the abuses by individuals in business. He thinks the economic systems on our side of the Iron Curtain, while not by any means as culpable as those of the Communist dictatorships, will nevertheless make progress only if based on the requirements of a moral order.

"Nationalistic politics" comes in for condemnation, as contrasted with the legitimate aspirations of a national life. Emphasis is placed by the Pope on the need for unity among allies.

It is to be expected that the big Catholic political parties in Germany, France and Italy, which wield much power in their respective parliaments, will not fail to read the Pope's words.

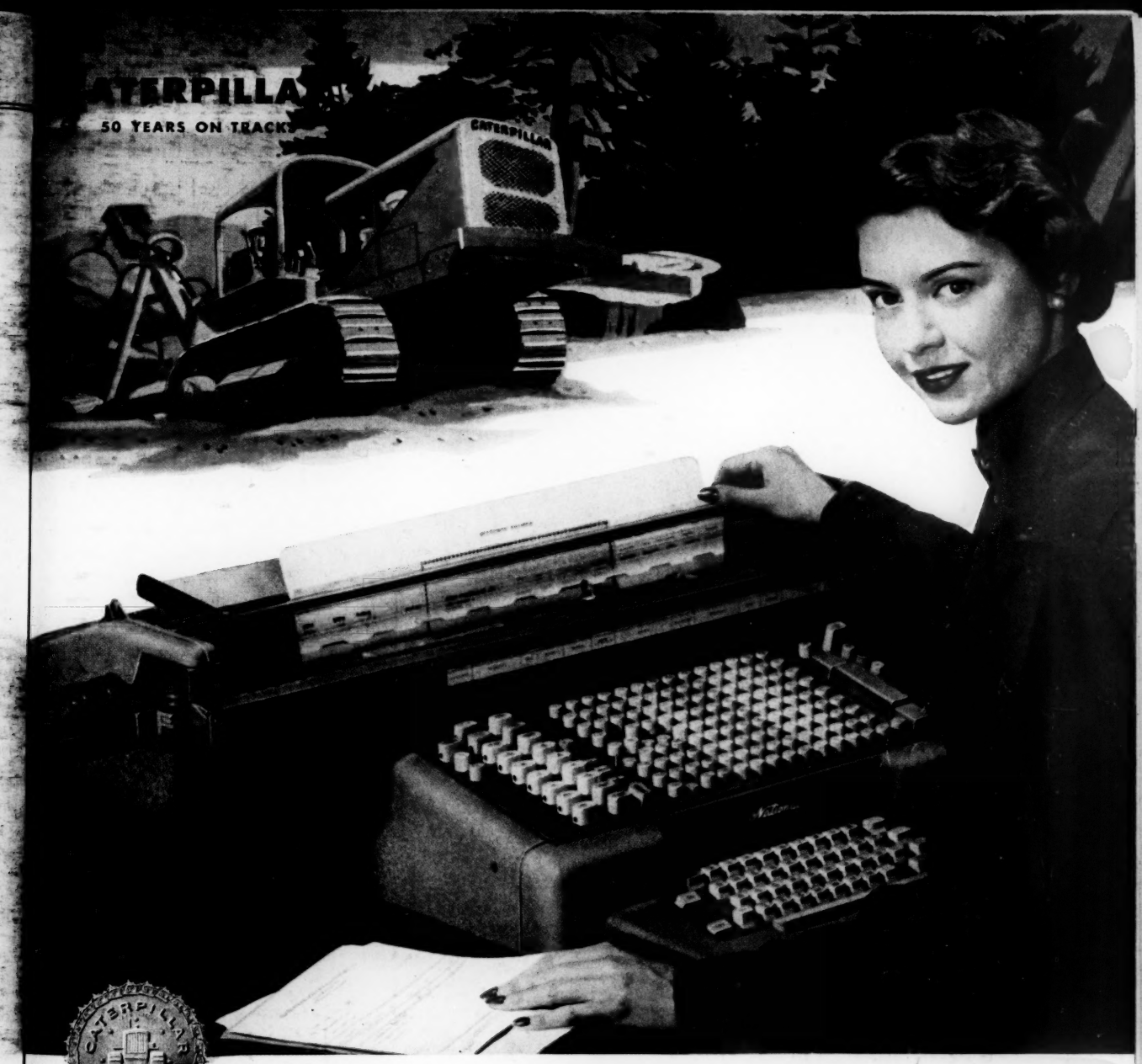
EXPRESSING the hope that "a bridge of peace may yet be built between opposing shores," His Holiness draws attention to the fact that "in both camps there are millions in whom the imprint of Christ is preserved in a more or less active degree." Recognizing that "in one of the two camps, the voice of those who stand resolutely for truth, for love and for the spirit, is forcibly suffocated by the public authorities, while, in the other, people suffer from excessive timidity in proclaiming aloud their worthy desires," it is the duty of "a policy of unification to encourage the former and to make heard the sentiments of the latter."

The Pontiff adds that "particularly in that camp where it is not a crime to oppose error, statesmen should have greater confidence in themselves" and they should "give proof to others of a more firm courage in foiling the maneuvers of the obscure forces which are still trying to establish power hegemonies."

In the address, many things are pointedly discussed, including the weakness of modern intellectuals in surrendering to the fallacy that all that lies between us and the Iron Curtain dictators is a difference in ideology or social approach.

The Pope's appeal for "a bridge of peace" should be heard around the world. For the only fear it concedes as righteous is the "salutary fear of God—Guarantor and Vindicator of the moral law."

(The full text of the Pope's address is printed on pages 114-119 of this issue.)



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